

# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

JUNE 1953

Today's  
Directors  
Keep Informed

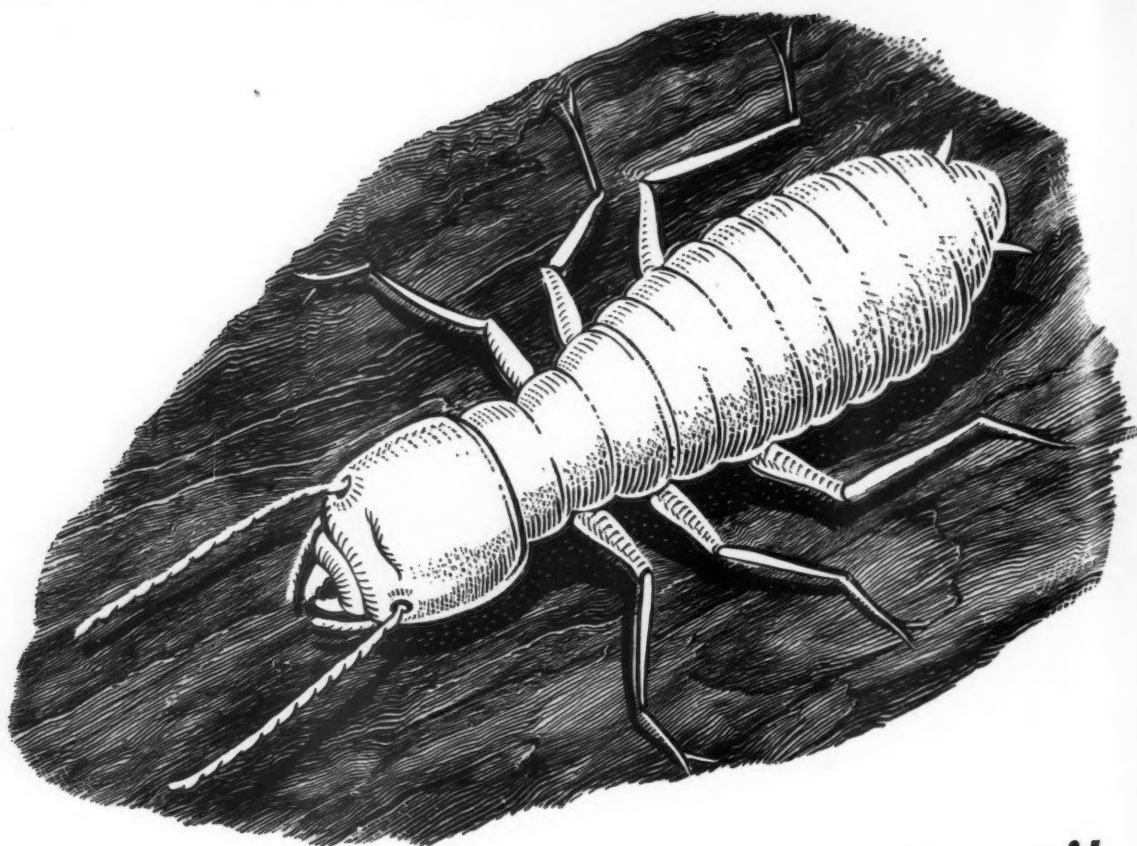
*Banking's  
Report on  
Some Aspects  
of the  
Director's Job*

(page 35)

▶  
New Doorway of the  
Federal Reserve Bank  
of Boston

(See pages 3 and 34)  
▶





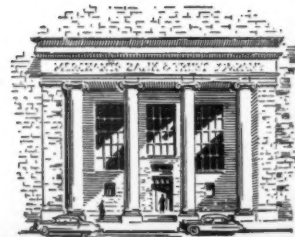
## *The damage is done before you know it*

That's the insidious thing about termites — and about embezzlers, too.

Bank defalcations often continue undetected for many years. Recent disastrous losses amply prove this fact.

The only sure defense against this hazard lies in a strong system of internal controls and careful, regular audits—backed up by *adequate*, well-planned dishonesty insurance.

The Aetna Casualty and Surety Company offers exceptional facilities to help you determine exactly what types and amounts of dishonesty coverage best fit the needs of your bank. Just call your local Aetna representative. He is backed by a staff of banking insurance experts who have designed programs of better protection for many hundreds of banks.



**Recent catastrophe losses  
indicate that  
few banks have  
adequate fidelity coverage**



### **ÆTNA CASUALTY AND SURETY COMPANY**

*The Aetna Life Affiliated Companies write practically every form of insurance and bonding protection*

<b>LIFE AND CASUALTY</b>	<b>FIRE AND MARINE</b>
Ætina Life Insurance Company	Automobile Insurance Company
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Hartford 15, Connecticut	



# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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for your convenience is usually listed under one heading only*

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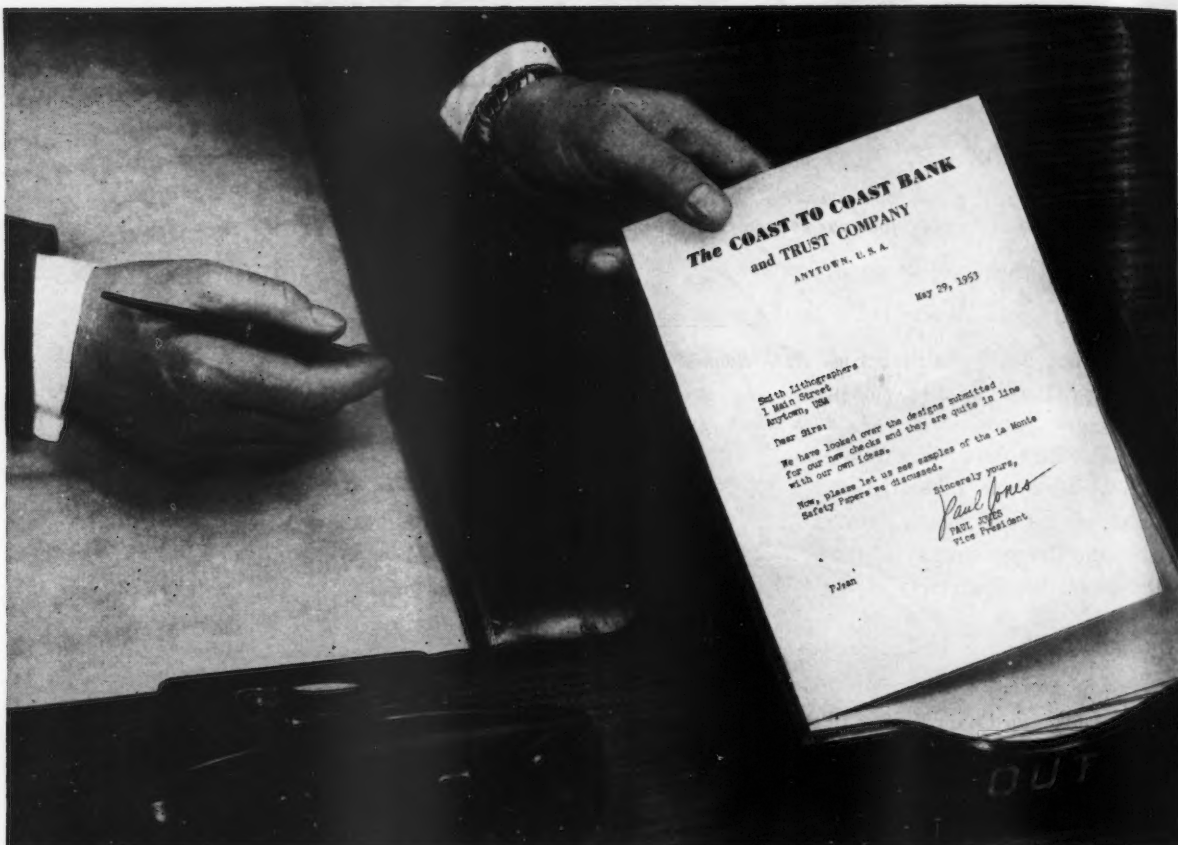
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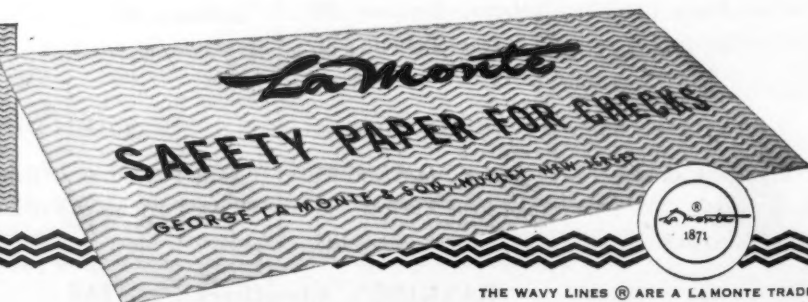


## Dictated by good judgment . . .

If your responsibilities include customer relations, a short note will bring into your hands an additional opportunity for improving service. Checks lithographed on La Monte Safety Papers are used the world over with justifiable pride and assurance of safety. Your customers, too, will appreciate them. If you have not used La Monte Safety Papers, samples and information may be obtained from your lithographer or from us direct.

### A Check Paper All Your Own

Thousands of banks and many of the larger corporations use La Monte Safety Papers with their own trade-mark or design made in the paper itself. Such INDIVIDUALIZED check paper provides maximum protection against both alteration and counterfeiting—makes identification positive.



THE WAVY LINES ® ARE A LA MONTE TRADE-MARK



# Just a Minute

## Bank Directors

THEY'RE the subject of a **BANKING** Report this month. T. ALLEN GLENN, JR., president of the A.B.A. National Bank Division and president of the Peoples National Bank of Norristown, Pennsylvania, does a thorough job in covering the management-director relationship: the board's responsibilities, keeping directors informed, directors and the bank's profits, among other angles.

Then there's an important commentary by R. G. RANKIN, an expert on bank auditing; also some miscellaneous material that rounds out an unusually complete coverage of a fundamental of good banking.

## Going to School This Summer?

WHAT is so rare as a day in June that doesn't catch some banker signing up for school?

The month that means "commencement" and vacation to millions of young folks offers no release to the studious bank man. He's either off for the resident session of The Graduate School of Banking conducted by the American Bankers Association at Rutgers University, or he's preparing to spend a week or two at one of the 70 or more educational courses offered elsewhere during the summer.

For him the "school" or the "course" means work that is often



"Let me talk to the fellow who orders the recipe column printed on the back of the financial page!"

harder than his daily job—harder because, academically speaking, he's a bit out of condition. But it also brings opportunity. And that's the real reason he's become a student again.

The schools scheduled for the 1953 season offer an amazing range of banking subjects. Some of them have been established a long time; at least one—the NABAC School for



## BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

### THIS MONTH'S COVER

The imposing mahogany doors shown in our cover photo are the main entrance to the new addition to the Federal Reserve Bank of Boston. Standing in front of them are Joseph Erickson, left, president of the bank, and Harold D. Hodgkinson, chairman of the board.

The doors, approximately 22 feet high and 12 feet wide, have six panels, containing replicas of the seals of the New England States, executed in bronze by the sculptor, Donald DeLue. Other pictures of the bank appear on page 34

### The Staff

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**BANKING** is a member of the Audit Bureau of Circulation, the Magazine Publishers Association, Inc., and the Society of Business Magazines Editors



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**BANKING**—Vol. XLV No. 12. Published monthly at 5601 Chestnut Street, Philadelphia 39, Pa. Copyright 1953 by the American Bankers Association, Harold Stonier, Executive Vice-president, Merle Seicman, Executive Manager, 12 East 36th Street, New York 16, N. Y., U. S. A.

Send Editorial, Subscription and Advertising Communications to 12 East 36th St., New York 16, N. Y., U.S.A.

Chicago office, 105 West Adams Street, Chicago 3, Ill.; Washington office, 719 Fifteenth Street, N.W. Subscriptions: \$4.50 yearly; Canada, \$5.00; foreign, \$5.50; single copies, 50 cents. Entered as second-class matter at the Post Office at Philadelphia, Pa., under the Act of March 3, 1879. With the exception of official Association announcements, the American Bankers Association disclaims responsibility for opinions expressed and statements made in articles published in this Journal.

Circulation Manager ROBERT M. ROHRBACH



## RCA Modernphone speeds internal communications these 3 important ways

Here, at last, is real speed in internal communications—the RCA Modernphone. It's easier to use than your telephone—faster in nearly all applications than any other system. AND RCA Modernphone adds efficiency to speed, because it cuts the errors that slow up administrative routines.

### Here's how:

**1. No more half-messages**—Modernphone has no complicated switching which often cuts the speaker in half-way through a message—cuts him out before he's finished. With Modernphone, the channel is open both ways. You hold a normal telephone conversation with a standard telephone-type handset.

**2. No more errors due to half-attention**—When you speak to a key man on Modernphone, he gives you his full attention. Contact is more personal—message seems more compelling—Modernphone asks for attention—and gets it.

**3. No more half-clear messages**—You can understand when you hear it over Modernphone. It's the quality of sound you're used to, after years of using your telephone. Modernphone doesn't broadcast your remarks. You'll appreciate Modernphone. It's

the method of doing business you know best.

### Find your man in an instant

No directory, no numbers, no dialing, no delay. Just push a button, and you ring your man. Arrange your Modernphone system for three to 30—or more—stations. Give every key man the advantage of Modernphone speed.

### Keep switchboard free for outside calls

Modernphone operates independently of switchboard, prevents overloading board with inside calls, lets you check with key personnel while you're talking on an outside wire.

### Try it for speed in this free demonstration

Let the RCA Intercom Distributor show you how Modernphone works . . . right at your own desk. See if you don't think it's the fastest intercom system yet.

Because Modernphone is so simple, the demonstration can be set up in your office in minutes. Modernphones operate on their own battery power or may be AC-operated.

TRY MODERNPHONE, and compare it with any other system for fast installation, fast administration.

Sound Products, Dept. 205-R, RCA, Camden, N. J.

- ☐ Please arrange a free demonstration of Modernphone in my office, without obligation on my part.  
☐ Please send me information on Modernphone.

Name \_\_\_\_\_ Title \_\_\_\_\_

Company \_\_\_\_\_ Address \_\_\_\_\_

City \_\_\_\_\_ Zone \_\_\_\_\_ State \_\_\_\_\_



**RADIO CORPORATION of AMERICA**



Bank Auditors and Comptrollers—is making its debut at the University of Wisconsin on June 29. Well distributed geographically, the many programs offer something for everybody, everywhere. Their popularity is perhaps the outstanding banking phenomenon of these times.

### G.S.B. and A.I.B.

THE Graduate School of Banking's fortnight at Rutgers (June 8-20) will be its 19th annual session; the Class of 1953 is the 17th group to complete the three-year program.

The first of those two weeks also sees the American Institute of Banking's 50th convention; the place is Cleveland, where the Institute, which started this banker education idea back in 1900, first foregathered nationally.

### "Each Bank Needs a Plan"

W. HAROLD BRENTON, president of the American Bankers Association, is one who believes that bank people should prepare themselves not only to be better bankers, but to be able, articulate explainers of our economic system.

MR. BRENTON has observed that although bankers are generally regarded as well-informed leaders in their communities, "too many have not kept pace with the far-flung nature of their new responsibilities."

"To whom," he asks, "can people go for financial and economic information if not to their banker?"

How can this economic education be acquired? Well, no plan is appropriate for all banks, but "if a man makes up his mind to gain in knowledge he can easily find ways for

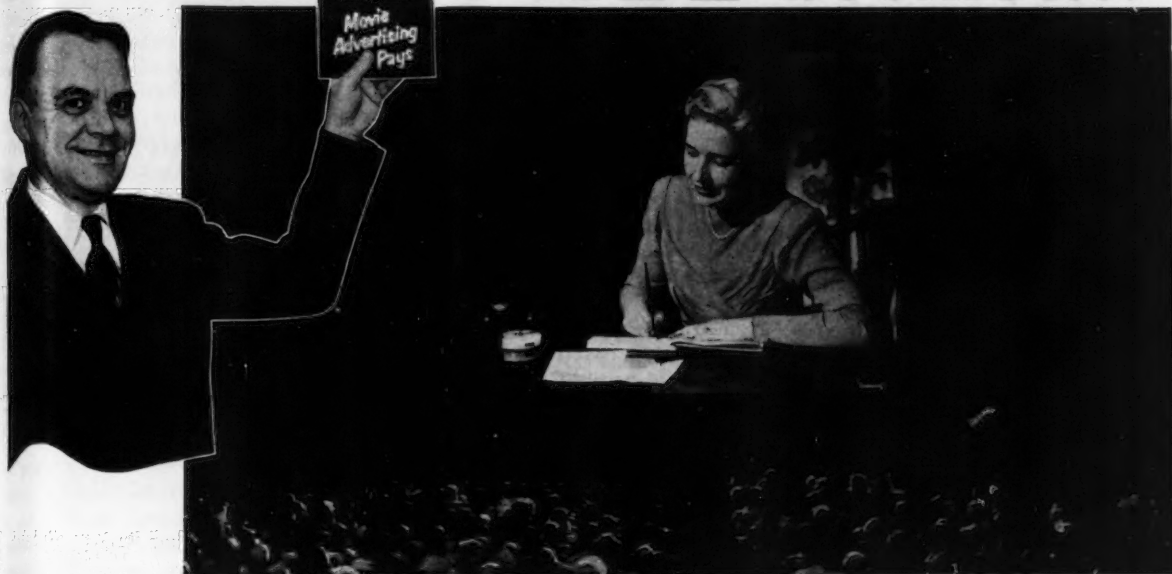
(CONTINUED ON PAGE 6)

"A new company policy, Meekin. Once a month we're having our married men take home a report card to their wives"



BANKING

# GET THIS FREE booklet...

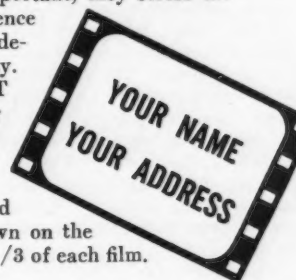


## Learn How To Increase Your Business With Low-Cost SPOT MOVIES In Local Theatres

**GET MORE CUSTOMERS.** Advertise your business with Spot Movies. These are already-prepared, *live-action*, talking motion pictures for use by Banks in local theatres. The use of these films actually cost *less* than printing and mailing circulars. They are the same type used profitably by over 50,000 local firms, including thousands of Banks. Spot Movies command virtually 100% attention from audiences made up of *your best prospects*, the people who live in your trade area.

**SCREEN BROADCASTS ARE MASTER SALESMEN.** These **FULL COLOR** and black and white films give *life* to

your sales messages. They cover many banking services, including personal checking accounts . . . benefit of regular savings . . . and the types of loans you make. Most important, they stress the friendliness and convenience of your service without detracting from your dignity. **SCREEN BROADCAST** Spot Movies are ready for your use—we handle all details, including booking and inserting **YOUR BANK NAME** and **ADDRESS** which is shown on the **GIANT** screen for a full 1/3 of each film.



Get complete information. Send coupon today for  
**FREE** illustrated booklet. No obligation.

The Screen Broadcast Companies  
**MOTION PICTURE  
ADVERTISING SERVICE CO., INC.**  
1032 Carondelet St., New Orleans, La.

**UNITED FILM SERVICE, INC.**  
2449 Charlotte St., Kansas City, Mo.

Members of Movie Advertising Bureau  
Canadian Distributor:  
Adfilms, Ltd., Toronto

### UNITED FILM SERVICE, INC.

Dept. BC-1,  
2449 Charlotte St., Kansas City 8, Mo.

Please send me **FREE**, your illustrated booklet that tells how to create more demand for services by advertising in the movies.

BANK .....  
ADDRESS .....  
CITY ..... ZONE ..... STATE .....  
ATTENTION MR. ....



# Fund-Raising for Churches



F. HERBERT WELLS  
Chairman of the Boards, Wells Organizations

Shortly after the turn of the century a few leaders in community and religious affairs developed a new plan for financing worthy philanthropies. Basically this method applied professional organization and direction to the efforts of volunteers in an intensive, scheduled fund-raising program. Most of this handful of pioneers lived to see billions of dollars raised by methods they developed.

The passing years and accumulated experience have produced important technical advances, but the fundamental principles and concepts are as valid today as fifty years ago.

Wells Organizations, largest of present-day fund-raising firms, applies itself exclusively to helping individual churches with their fund-raising and finance. Church leaders throughout the United States and Canada secure Wells' advice before planning important fund-raising programs. The amounts sought by Wells' client-churches are normally much larger than they would attempt alone. Yet well over ninety per cent of Wells' clients reach their objectives on schedule.

As the only remaining member of the original pioneering group, F. Herbert Wells is providing the inspiration and counsel behind the services of Wells Organizations.

Wells offers helpful literature and advice to any responsible church leader. Please indicate whether your church is concerned primarily with creating a building fund or increasing regular income.

**Wells ORGANIZATIONS**  
Church Fund-Raising Specialists

CHICAGO, 222 N. Wells St., Central 6-0506 •  
WASHINGTON, D.C., Washington Bldg., Sterling 3-7333  
• NEW YORK, Empire State Bldg., OXford 5-1855 •  
CLEVELAND, Terminal Tower, MAin 1-0490 • OMAHA,  
W.O.W. Bldg., JACKson 3100 • FORT WORTH, Electric  
Bldg., FAnnin 9374 • ATLANTA, Mortgage Guarantee  
Bldg., ALPine 2728 • TORONTO, 330 Bay St., EMpire  
6-5878 • SAN FRANCISCO, 41 Sutter St., GARfield 1-0277  
SASKATOON, 201 Ross Bldg., 6949

(CONTINUED FROM PAGE 4)

doing it. Bank management's job is to create an atmosphere within a bank staff for more knowledge, and then to make available the time and avenues for acquiring it."

These avenues include the A.I.B. program, the schools of banking, the "periodicals filled with knowledge," books, opportunities to hear speeches by experts in finance and economics. In short, "informative channels are overflowing with source material."

But "each bank needs a plan, tailored to its own size and circumstances, which keeps its staff informed of the most enlightened thought and practice." A definite plan should be built into the operations of all banks.

"The man who expects to succeed in banking," says the A.B.A. president, "must constantly work to gain knowledge of how money operates and affects our general welfare, and then be prepared to explain it to the people of his community, or he just won't be good enough for a banker of the future. Our most important concern should be to train more men for banking leadership."

## A "Know Your Bank Week" Idea

CHICAGO National Bank's method

of observing "Know Your Bank Week," sponsored by the Illinois Bankers Association, took a somewhat different direction.

Instead of the usual tours, the bank had 25 of its directors, officers and department heads write articles relating either to the Chicago National or to banking in general. These were published in the May issue of the employees' monthly magazine, *The Chicagoan*, copies of which were given to customers during the week.

## Television for Banks

INFORMATION on the use of television spots for bank advertising gathered by Hamilton James Associates of Madison, Wisconsin, is rather enlightening, and we pass along some of it.

The purpose of the survey was to determine the attitude, interest, and participation of banks in TV as a means of promoting their services. Seventy-four, or 15 percent of the number polled, replied.

To the question, "Is your bank now using TV to advertise bank services?" 37 said Yes, 34 No, and three failed to answer. The users were advertising savings accounts, checking accounts, personal loans,

(CONTINUED ON PAGE 11)

"That's a wonderful story, sir. You should take it to a publisher"







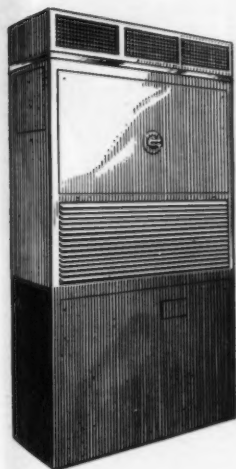
## IMPROVE EMPLOYEE EFFICIENCY... INCREASE CUSTOMER GOODWILL!

Customers prefer to transact business in cool, refreshing comfort. In addition, a clean, quiet, stimulating atmosphere increases customer goodwill. That's why Chrysler Airtemp Air Conditioning is a must for your bank. You'll find, too, that Air Conditioning increases the efficiency of employees, as well as adding to institutional dignity. That's because employees are more alert and efficient when not distracted by annoying heat, humidity and street noises.

Choose the "Packaged" Air Conditioning which most people buy—Chrysler Airtemp. You'll get all these benefits:

- Outstanding quality...complete satisfaction...assured by the Chrysler Airtemp name.
- Chrysler Airtemp Air Conditioning is *time-tested*...your warranty of top efficiency.
- Competitive price.
- Nationwide network of dealers ready to render prompt, courteous service should it ever be required.

Get all the facts. See why it will pay you to choose Chrysler Airtemp Air Conditioning!



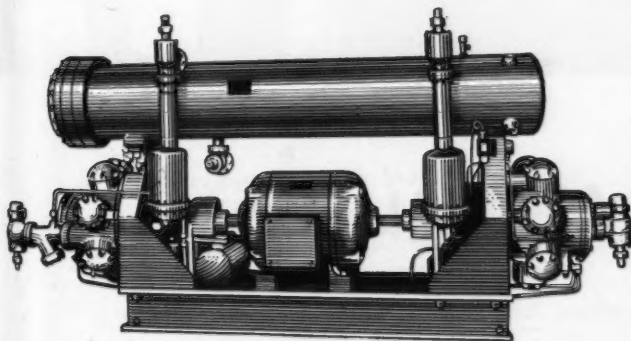
**"Packaged"  
Air Conditioners**

Six models from 2 to 15 H.P. capacity. Meets most cooling needs.



**Room  
Air Conditioner**

Fits in window, cools, filters, circulates fresh outside air.



**Central Station Unit**

The efficient "heart" of larger air conditioning systems.

*Comfort  
Zone*



*Chrysler  
Airtemp*

### HEATING • AIR CONDITIONING for HOMES, BUSINESS, INDUSTRY

Airtemp Division, Chrysler Corporation, Dayton 1, Ohio

Airtemp Division, Chrysler Corporation  
P.O. Box 1037, Dayton 1, Ohio

B-6-53

I'd like to know more about Chrysler Airtemp Air Conditioning.

Name \_\_\_\_\_

Address \_\_\_\_\_ Phone \_\_\_\_\_

City \_\_\_\_\_ Zone \_\_\_\_\_ State \_\_\_\_\_

# BE A GOOD SPORT

(An appeal to your baser instincts)



AMERICAN MUTUAL



*Service from salaried representatives in 78 offices! Savings from regular substantial dividends!*

# AND GET RICH!

by Mr. Friendly

**H**ERE we're begging on our knees,  
Let us make you richer . . . please!  
Won't you just be money mad?  
Do it for the kiddies, dad . . .

Give your little girl and boy  
Coupons full of gilt-edged joy;  
When they shuffle through a pile,  
Watch their cunnin' faces smile!

Read this case\* and you will see  
How we saved one companee  
Pails and bales of folding glee;  
Were they angry? . . . No siree!



## \*THE \$100,000.00 CASE OF THE BRISTOL BRASS CORPORATION

**Company:** The Bristol Brass Corporation of Bristol, Connecticut, famous New England Brass Company for 103 years—makers of quality sheet brass, brass wire and brass rods.

**Record:** An American Mutual policyholder for over 30 years.

**Savings through lower premiums:** \$57,231 in the past 9 years alone.

**Savings through dividends:** \$42,503 in 9 years.

**Total savings:** \$99,734, or so close to a neat, tidy \$100,000 we stretched it a few bucks!

**Moral:** If you're interested in a service that can help reduce costly accidents and premiums to way below average . . . and help raise employee morale, write for the complete case of The Bristol Brass Corporation, American Mutual Liability Insurance Co., Dept. B-15, 142 Berkeley St., Boston 16, Mass.

©1953, AMERICAN MUTUAL LIABILITY INSURANCE COMPANY

No. 41 of a Series

## AMERICAN CAN COMPANY BUILDS HUGE NEW PLANT IN PENNSYLVANIA

There is more than a quarter million square feet of floor space in this modern one-story steel, concrete and brick plant of American Can, and it is designed for future expansion.

### *...highway and rail facilities one big reason*

A plant big enough to turn out over four hundred million cans a year is being built by American Can Company at Lemoyne, on the outskirts of Harrisburg, Pa. Production will start late this summer.

One of the principal reasons for the selection of this site was the network of main highways which center there, together with the facilities of the Reading Lines and the Pennsylvania Railroad.

Through these transportation facilities, American Can will be able to serve the expanding needs of fruit and vegetable canners in eastern and central Pennsylvania, and the Appalachian areas of Maryland, West Virginia and Virginia. Twenty-four freight cars can be loaded or unloaded at one time on Reading sidings at the plant.

The millions of dollars of new construction being done in Pennsylvania by many of America's leading corporations suggests that you may want to put one of your plants or branches here. The State Department of Commerce can supply you with facts on sites, plants, markets, raw materials, labor and taxes. Write to Harrisburg.



Lemoyne, the location of the new American Can plant, is just across the river from Harrisburg and at the hub of one of the great highway and railroad networks. New roads and street extensions will provide easy traffic access and avoid Harrisburg traffic. These highways lead into the greatest system of state highways in the world.

COMMONWEALTH OF **Pennsylvania** DEPARTMENT OF COMMERCE

JOHN S. FINE, Governor

ANDREW J. SORDONI, Secretary of Commerce



(CONTINUED FROM PAGE 6)

auto loans, safe deposit boxes, and banking by mail. Twelve banks had had television spots, but discontinued; seven expected to resume and two "might" resume.

Five of the 12 that had discontinued found TV too expensive, the budgets of three had been used up, and three said that no suitable programs were available.

Thirty-one banks thought 55-second spots were most advantageous, 15 favored 20-second spots, and two were for 10-seconds. One liked a 10-minute period.

Thirty-three banks get their commercials from advertising agencies and 15 from the bank's own advertising department. Other sources weren't listed.

Asked what services were best suited for TV advertising, 29 banks voted first place to savings accounts (bank-by-mail, personal loans, and modernization loans were close contenders); 23 favored checking accounts, and 21 automobile loans.

Twenty-seven prefer live commercials; 22, action without narration; 18, animated cartoons; eight, cards with narration; five, stills with narration. Fourteen had no opinion.

To the question, "What is your biggest problem regarding TV in your advertising program?" 39 banks said cost of time, 22 cost of material. Availability of time, availability of material, and competition of other financial institutions were also mentioned.

#### Some Conclusions

IN a review of the returns the surveying agency said these points were "increasingly obvious":

"Even in one-station areas TV must be of really high quality to retain the audience.

"TV promotion must be geared to reach all age groups. In other words, TV, when used as an advertising medium, must be created along new and original lines to make it pay. It should be fresh; it should be interesting and amusing; and it should stimulate an interest that will carry over in those who see it."

#### Attention!

THE East River Savings Bank of New York City gave a snappy salute to the women of the Armed Forces by exhibiting, in the windows of its Rockefeller Plaza branch, the new-

Many of the banks that received Citations for advertising excellence in BANKING'S 1953 Forum in Print have sent us clippings of the local newspaper publicity which followed the award. The Bank of Akron, Akron, O., used its Citation as the basis of a display ad. The Fort Myers (Fla.) News-Press ran its own full page ad featuring the Citation given the Lee County Bank for campaigns in that paper. At the Houston Bank & Trust Company the Citation was formally presented to President O. R. Weyrich by the bank's advertising committee. The photo below shows the presentation: *Left to right*, Executive Vice-president Charles L. Bybee; Hazel Reed, Brennan Advertising Agency; Curtis Hankamer, committee chairman; Mr. Weyrich; Ross P. Bennett, vice-president and trust officer, and John E. McGary of the agency



**SCUDDER  
STEVENS  
& CLARK  
FUND, Inc.**

**SCUDDER  
STEVENS  
& CLARK  
COMMON  
STOCK  
FUND, Inc.**

Available at  
Net Asset Values

*Prospectus on Request*

Scudder Fund Distributors, Inc.

1 Wall St., New York 5, N. Y.  
10 Post Office Sq., Boston 9, Mass.  
Provident Trust Bldg.  
Philadelphia 3, Pa.

Because we  
work  
around  
the clock...

**YOUR  
CHECKS  
ARE  
COLLECTED FASTER**

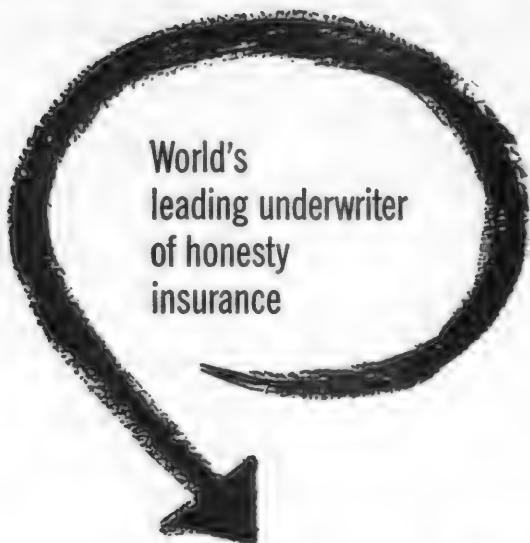


**THE NATIONAL CITY  
BANK of Cleveland**



623 Euclid Ave.

Member Federal Deposit Insurance Corporation



World's  
leading underwriter  
of honesty  
insurance

FIDELITY, SURETY AND BANKERS  
BLANKET BONDS; BURGLARY AND  
OTHER NEEDED FORMS OF INSURANCE

## FIDELITY AND DEPOSIT COMPANY

Baltimore Maryland

AFFILIATE: AMERICAN BONDING COMPANY OF BALTIMORE

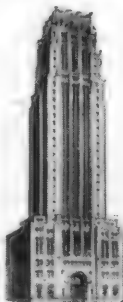


American banks are invited to consult with us on behalf of their own customers who may be interested in the oil, gas or petro-chemical industries of Western Canada. Your inquiry may be directed either to our Petroleum and Natural Gas Division at Calgary, Alberta, or to any of the offices listed below:

### The Canadian Bank of Commerce

Head Office—Toronto

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Over 600 Canadian Branches



U. S. ARMY PHOTO

At the East River's reception honoring women in the Armed Forces: L. to r., Joseph A. Broderick, the bank's chairman; Mrs. George O. Nodyne, wife of the president; 1st Lt. Ruth M. Diamond, USMC; Charles Joyce, administrative vice-president of the bank; and Lt. Commander Elinor Rich, USN

est uniforms worn by the WACS, WAVES, WAFFS, and women Marines. (Did we omit anybody?)

Timed to help highlight Armed Forces Day, the display was opened by a reception at the branch. Honor guests were New York members of the Defense Advisory Committee on Women in the Service.

J. L. C.

*A cynic's rule: Expect to be done as you would like to do others.*

The only thing worse than an alarm clock that goes off is one that doesn't.

*It's bad for a man to show his worst side to his better half.*

A man may drink like a fish so long as he drinks what a fish drinks.

*Our international troubles must be serious because it takes every speaker at least 45 minutes to solve them.*

Every once in a while you run across someone who plays golf and bridge as if they were games.

*The danger in being a human dynamo is that you're apt to be short-circuited.*

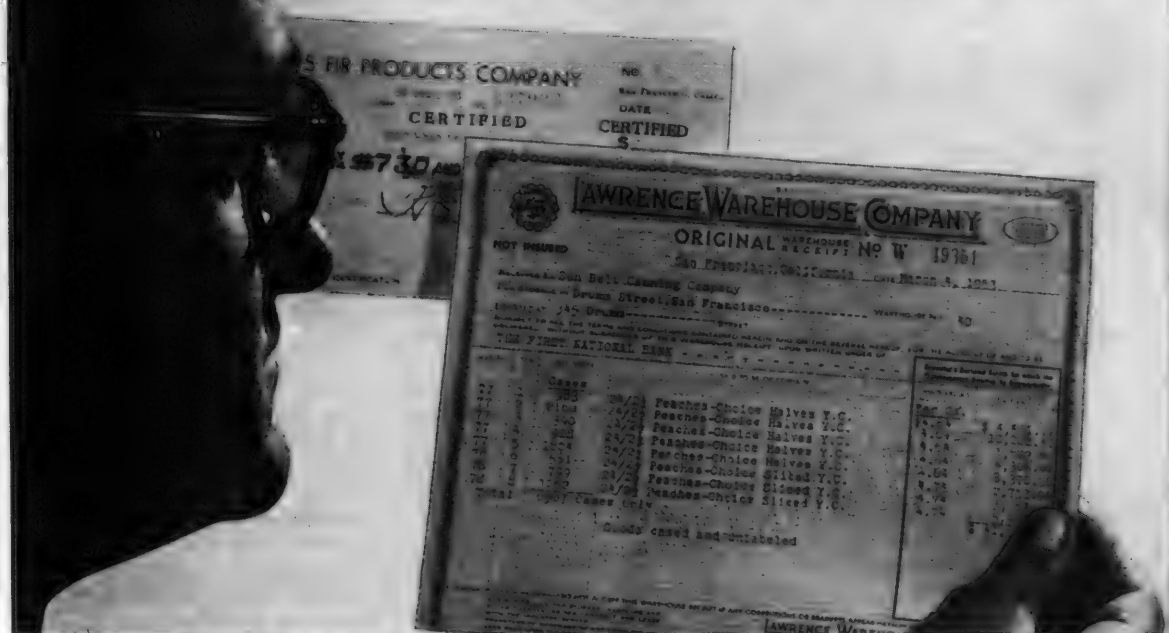
Two heads are better than one, but never on the same shoulder in an automobile.

IN FIELD WAREHOUSING, IT'S

**LAWRENCE** ON WAREHOUSE RECEIPTS

IN BANKING, IT'S

**CERTIFIED** ON CHECKS



## The Reasons: INTEGRITY • SECURITY • FACILITY

**INTEGRITY.** For forty years Lawrence Warehouse Company has conscientiously kept the interest of its warehouse receipt holders paramount—thus meriting the confidence of countless bank loan officers throughout the United States, Canada and Mexico.

**SECURITY.** Lawrence carries legal liability and fidelity bonds totalling \$1,000,000 at each of its more than 2500 field warehouse

locations. This bond coverage is unique both in amount and completeness of protection for banks and our other receipt holders.

**FACILITY.** Lawrence—in step with modern banking methods—provides the exclusive Lawrence-IBM Commodity Collateral Report for Loan Officers, which materially cuts the cost of servicing commodity loans and keeps bankers up to date on inventory values.



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OFFICES IN PRINCIPAL CITIES

# SERVICE IN FLORIDA

WE  
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BEEN  
SERVING  
THE BANKING  
NEEDS  
OF  
JACKSONVILLE  
AND  
FLORIDA  
FOR 76 YEARS

FAST  
DEPENDABLE  
CLEARING FACILITIES



## The BARNETT NATIONAL BANK

OF JACKSONVILLE  
Cable Address: NATBANK  
MEMBER FEDERAL DEPOSIT  
INSURANCE CORPORATION



### THE TEXAS COMPANY 203rd

Consecutive Dividend

A regular quarterly dividend of seventy-five cents (75¢) per share on the Capital Stock of the Company has been declared this day, payable on June 10, 1953, to stockholders of record at the close of business on May 8, 1953.

The stock transfer books will remain open.

ROBERT FISHER

April 28, 1953

Treasurer



VERY few people there are who do not yearn for a sympathetic ear, and for that reason Miss Harrison (that isn't her name) was very popular with the customers of her bank. Her ear was decidedly compassionate to all their troubles, and she was never too busy to listen to the people who came to her window to purchase a cashier's check or to be admitted to the safe deposit box department.

For several years she had counseled and heard the troubles of one old gentleman—a veritable "Caspar Milquetoast"—so conscientiously afraid of doing something wrong about his bank business that he relied upon her for advice on every detail. His only income was a small pension granted him when he had retired, after 40 years of service, from a minor post in a corporation.



During the summer, the bank clerk missed her protégé for two or three months, and often wondered about him. She was relieved to see him come in one day and produce the puzzling checkbook. She thought he seemed unusually nervous and perturbed. After the corrected checkbook was returned to him, he started to put it in his wallet, then paused and drew a picture from one of the compartments.

"That's my sister," he said, and handed it to Miss Harrison.

"Nice looking," she said, politely.

"She's married to a very wealthy man," said the customer, "and she's been awfully good about helping me out. When I had virus last winter, she paid all my hospital bills."

"That was grand!" exclaimed the listener.

"But now she's mad at me!" sadly exclaimed the little man. "She won't even write to me and I guess she's given me up for good."

"Surely not," protested Miss Harrison, "you must just be imagining things."

"No, I'm not. I got married a couple of months ago and she didn't like it."

"You mean you got married just lately?" asked the surprised clerk, glancing at the aged little figure sitting at her desk.

"Yes, I did. You see, she was left to me."

"Left to you! Do you mean like in a will?"

"Yes, ma'am. It *was* a will."



"Why, I never heard of such a thing. How did it happen?" queried his listener. "Well, you see when I was a boy I had a very special friend—Harry, his name was. We went through school together and we roomed together at college and we both worked for years for the same company. Harry got married, but I never did. So when he died, he left his widow to me."

"You mean in his will?"

"Yes, it was in paragraph 4. I know it by heart. It said, 'And to my dear friend Hector Bluefield I leave my beloved wife, Almira, with the request that he care for and cherish her as I have done, all the days of his life.'"

"And because of that paragraph in the will you married her?"

"Well, what else could I do? It was Harry's last wish!"

"But did you love the woman?" asked Miss Harrison.

"What difference does that make? Of course I didn't, but I had to do what Harry wanted me to. Of course I don't have much money, but I manage to take care of her somehow on my little pension—we get along. The part I hate about it is having my sister mad at me, just for being loyal to an old friend's wishes!"

BELLE S. HAMILTON

BANKING



The Gunnison Coronado—like the other Gunnison Homes—combines handsome appearance, modern design, and excellent construction with the economy which is so important to today's home-buyers.



## Answers to your questions on Gunnison Homes

THESE days more and more bankers are becoming interested in the problem of making well-built, low-cost homes available to the public . . . and more mortgagees are becoming aware of the advantages of investing in homes that are time-tested products of an established company. Here are some questions frequently asked:

### ***Does a Gunnison Home have...***

Precision-factory construction? .....	<b>Yes</b>
Variations in elevations? .....	<b>Yes</b>
High resale value? .....	<b>Yes</b>
Modern interiors and equipment? .....	<b>Yes</b>
Predictable erection costs? .....	<b>Yes</b>
Variations in land values? .....	<b>Yes</b>
Variations in material specifications? .....	<b>No</b>
Variations in material quality? .....	<b>No</b>

When you invest money in a Gunnison Home you know exactly what you're getting—uniformly high-grade materials and sound construction. Gunnison Homes are a quality mortgage and a standard mortgage in the \$6500 to \$12,000 range.

"Gunnison" and "Coronado"—  
trade-marks of Gunnison Homes, Inc.



# Gunnison Homes

Manufactured by Gunnison Homes, Inc., New Albany, Indiana.

SUBSIDIARY UNITED STATES STEEL

Gunnison Homes, Inc.  
Dept. B-63  
New Albany, Indiana

Please send me free copies of your new booklets, "Gunnison Homes Plan For Better Living" and "Let's Choose a Gunnison Home."

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Company.....

Address.....

City.....State.....

# Your Press Relations

*On this page each month members of the working press talk over a practical question on bank press relations. Send us YOUR question. We'll submit it to a couple of experts and publish their answers. Your name and the bank's will be withheld if you so desire.*

## QUESTION

When our bank's president returns from his trip abroad, he'll have some interesting observations on conditions in several European countries. Would it be better to send the papers a prepared summary of his impressions or invite the reporters to interview him?

**FRANK LANGSTON**, business editor of *The Daily Times Herald*, Dallas

**N**EWSPAPERMEN are strange individuals whose requirements vary from day to day. One day a story may be hot copy but on the next just another story. The difference usually can be found in what else is happening.

News, like credit, may be either tight or loose. And newspaper space, like money, may be either plentiful or in short supply—usually the latter.

One day the word that a bank president is returning from Europe with some interesting observations on business and politics will bring a request for an interview. The next day it may be greeted with: "What, another one?"

News, in banking terms, is a commodity that follows the laws of supply and demand. The bank public relations director can evaluate news material from his bank in the same manner as the business or financial editor only if he knows the current market for news generally in that editor's paper at that particular time.

Frank Langston  
*Dallas Daily Times Herald*



A safe rule is to call the editor, tell him of the president's imminent return and ask whether he would like an interview or a prepared statement. Because editors generally have a pretty good idea of what information they can use, the chances are that the answer will be a request for an interview, in which the newspaperman can ask questions and draw out answers on the subjects in which his readers—as distinguished from the banker himself—are especially interested. On the other hand, the editor may feel that he would prefer a statement, especially if the story may have to be shortened because of a space problem.

While many newspapermen frown on "handouts," a public relations director frequently will do well to present newsmen a brief statement on their arrival for an interview or press conference. This statement and questions answered during the interview then form the basis of the story.

An observant banker just back from Europe may have some observations on the rebuilding of European industry and current production problems. This may be especially true in Western Germany and other countries where a great deal of industry was destroyed during World War II.

Business and financial page readers are interested in foreign markets and in the closely allied problem of two-way trade and the dollar balance most European countries are trying to maintain in order to continue trading. For a good many countries the "trade or aid" problem is very real. A banker's observations along these lines may be welcomed.

Political aspects of military and economic cooperation between the United States and European countries provide material for discussion by men prominent in fields of business and finance. Many readers, accustomed to observations by Government officials, like to get the businessman's viewpoint. This holds true also for such matters as rearmament of Western Germany, effects of the Iron Curtain on business, and labor problems in Britain.

A bank president returning from Europe may offer the press some interesting observations — from the American businessman's viewpoint. His public relations director, by avoiding an attempt to "ram a story down the throat" of a financial editor, and learning, instead, what is needed and the form desired, may serve both his bank and the press.

WILL HERTZ, staff writer,  
*Minneapolis Tribune*

**M**ANY businessmen, including bankers, make either of two major mistakes in judging the newsworthiness of their observations

(CONTINUED ON PAGE 18)

Will Hertz  
*Minneapolis Tribune*



# INVESTMENTS IN INDUSTRIAL PLANTS

*can't pay off  
without product markets*

Replies to McGraw-Hill's Sixth Annual Survey of Capital Spending Plans\* indicate that industry is continuing to expand and modernize its productive capacity.

Making sure that this investment in plants and equipment pays off will require expanded markets and increased sales efforts. For increased production . . . new processes and products . . . are bound to result in keener competition and more selective buying.

Building markets takes time. It requires a carefully coordinated, long-range sales and advertising program. Such plans should include a consistent, intelligently planned business magazine advertising campaign, not only to protect present markets against competition, but to develop new markets . . . a job

which business publications can do faster, and at far lower cost, than any other method.

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★ ★ ★

*\*The findings of this survey have been prepared in a 16-page booklet. We believe you will find it very informative and interesting. For a free copy, simply address your request to Company Promotion Department.*



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810 East Third Street, Los Angeles 54, California

(CONTINUED FROM PAGE 16)

resulting from a trip to foreign lands:

(1) They tend to limit their observations—or at least those they give to the press—to their reactions as tourists. It is no longer of news interest, for example, that Britain has an austerity program or that France is suffering from critical inflation or that Italian trains do or do not run on time.

(2) They tend to analyze fields in which they are not qualified by their banking experience—political conditions, for instance. My suggestion would be to leave politics to the politicians and experienced foreign correspondents.

But there is the huge area of banking, economics, finance and business in which the banker can speak with authority. It is here that his observations may be of great news interest at home.

Perhaps he can shed a little light on what British industry and bankers are doing to ease the austerity situation—to help sell British goods abroad, to administer the sterling bloc, to spur production in British factories. Or perhaps he can discuss the steps French bankers may be taking to help check inflation. How difficult is it to obtain an inventory loan in France, or a home mortgage?

In other words, the banker, like professional and businessmen in other fields, will tend to seek out colleagues in banking and finance wherever he travels. What he learns from them should form the basis of his observations to the press.

It would be difficult for the banker to outline his reactions in the highly technical field of banking and finance through a prepared summary. Direct contact with reporters is necessary to permit explanation of terminology and clarification of ideas.

My suggestion would be for the bank president to invite the papers to send reporters to a press conference. He should allow ample time for the conference—at least an hour. He should try to have available statistics and other data to support his observations; nothing looks less convincing in a newspaper story than blunt conclusions without supporting arguments. Finally, the bank's public relations expert should be on hand to help translate the president's observations into the lay language of the newspaper columns.



# Here's realistic financing!

*Gone are the new homeowners' penalties  
of hard-to-meet, short-term obligations.*

IN THE photographs you see a builder showing a new homeowner her General Electric Kitchen and Laundry appliances.

**She is paying for these dependable General Electric labor-saving appliances at a monthly cost of no more than an average telephone bill —thanks to the terms of a Packaged Mortgage!**

This *realistic* method of financing also means that it is *not* necessary for her to assume heavy, short-term obligations that may become a strain on the family budget.

Furthermore, her General Electric Kitchen-Laundry helps to make her house a truly modern home. General Electric appliances provide more leisure. More comfort. More convenience. And greater economy.

The buyer of a home with a General Electric Kitchen-Laundry is a satisfied investor—a more willing mortgagor.

## Send for data

Wouldn't it be advantageous to your institution to offer the "Packaged Mortgage" plan?

Why not send for free literature that outlines the advantages of this Packaged Mortgage to the lending institution and the prospective homeowner?

**Write to:** Home Bureau,  
General Electric Company,  
Louisville 2, Kentucky.

**GENERAL  ELECTRIC**



G-E Automatic Dishwasher and Disposall®



Dependable G-E Refrigerator



G-E Washer and G-E Clothes Dryer



G-E "Speed Cooking" Range

*This department is compiled by  
THEODORE FISCHER of BANKING'S  
staff.*

## For Body and Soul

**I**N THE BANK OF AMERICA, San Francisco, is a \$1,000 trust fund, deposited by a group of Canadian soldiers, for the benefit of a Korean war orphan—and it's a heartwarming story.

The Canadians took the boy, now seven years old, as their mascot in 1951 when they found him in the war zone. He was named Willie Royal, after the Royal Canadian Regiment which "adopted" him. When the outfit left Korea last year, Willie was left behind—but not forgotten.

Administrator of the fund and guide for Willie's education is the Rt. Rev. Arthur E. Chadwell, assistant bishop of Korea, who will keep the regiment informed on the youngster's progress and welfare. The fund is to feed and care for Willie, and to begin his education "as a Korean National of Christian faith."

RUSSEL A. SWANEY of Birmingham, Michigan, has been appointed vice-president of the Federal Reserve Bank of Chicago in charge of its Detroit branch. He succeeds



Bruce L. Smyth



Russel A. Swaney



Ernest Clayton



T. Dawson Brown

HARLAN J. CHALFONT, retired. BRUCE L. SMYTH of Palatine, Illinois, was promoted to assistant vice-president of the Chicago bank.

MR. SWANEY was transferred to Detroit last July when he became an assistant vice-president. He had been Michigan representative for the bank since 1945. MR. SMYTH has been with the Federal Reserve Bank of Chicago since 1933. He's a CPA, teaches at Northwestern University's School of Commerce, and is president of Chicago Chapter, Systems and Procedures Association.

ERNEST CLAYTON, since 1941 president of the Industrial Trust Company, Providence, Rhode Island, has been named chairman of the board. T. DAWSON BROWN has advanced to the presidency.

HARVEY G. BROWN, heretofore executive vice-president of the First Bank of Sitka, Alaska, has joined the First National Bank of Juneau as executive vice-president. He's president of the Alaska Bankers Association.

## 99% Successful

**T**HE FIRST NATIONAL BANK of Leesburg, Florida, held an open house to display with pride its remodeled and redecorated quarters. The event was a big success with almost everybody. We say "almost" because BELLE S. HAMILTON, assistant cashier, tells us that one guest was bored by the entire proceedings—slept peacefully through it all. He's four months old. There were so many flowers that one customer hesitated to come in—she said "I thought you must have a body laid out there."

The COUNTY TRUST COMPANY, White Plains, New York, has established its 22nd office, the former First National Bank of Croton, New York.

Work is under way on a new two-story addition to the Haverhill (Massachusetts) National Bank. The vaults will be relocated in the new section and there will be more space for all departments.

Kenton R. Cravens, left, is sworn in as Administrator of the Reconstruction Finance Corporation. Supreme Court Justice Harold Hitz Burton administers the oath. Mr. Cravens was vice-president of the Mercantile Trust Company, St. Louis, member of the Executive Committee of the A.B.A. Committee on Federal Legislation, and former chairman of the A.B.A. Credit Policy Commission



# Main Street



G. E. Arnold



M. G. Reade

At Valley National Bank, Phoenix, Arizona, G. E. ARNOLD has been named publicity and public relations director and MERT READE was named advertising director.

## Cook Heads FDIC

H. EARL COOK, a director of the Federal Deposit Insurance Corporation since 1947, has become chairman, succeeding MAPLE T. HARL, Democrat, who becomes the minority member of the bi-partisan board. Both are serving their second terms as directors. RAY M. GIDNEY, new Comptroller of the Currency, is the third member of the board by virtue of his office.

Mr. Cook entered banking as a teller and bookkeeper with the Second National Bank of Bucyrus, Ohio. He became its president in 1929. He is a past president of the National Bank Division of the A.B.A. and a past member of the A.B.A.'s Executive Council; is a former Superintendent of Banks of Ohio, and was at one time a vice-president of the National Association of Supervisors of State Banks.

Where the new chairman stands on many important banking matters can be found in his published utterances, such as this excerpt from his address of last September to the annual meeting of the National Association of Supervisors of State Banks:

"In these days of lightning-swift communication and overnight change, no unit of the banking system nor any segment of the banking system is or can be sufficient unto itself. It is a basic theorem of geom-

etry, as I recall, that the whole is greater than any of its parts.

"States' rights? Yes, but no squabbling among states!

"Protection of the national interest? Yes, but not nationalization of the banking system! . . .

"Commercial banks, savings banks, building and loan associations existing side by side? Yes, but with equal treatment under law and clearly defined fields of activity.

"State supervisors, Federal supervisors, and Federal Deposit Insurance Corporation all working on the same problems? Yes. But in harness, and all pulling in the same direction.

"Let us aim at a sound and stable entity and make the necessary adjustments of its component parts amicable, reasonable, and designed for the health, the well-being and a long life of service and stability for the American banking system. We of Federal Deposit Insurance Corporation pledge to continue doing our part."



H. Earl Cook

MR. COOK did an article for BANKING back in September 1939 when he was president of his bank and president of the A.B.A.'s National Bank Division. Here's an excerpt:

"We have so much to sell. Service, you say, is our only merchandise. Granted; but what does that service comprehend? The function of deposit banking, escrow, trusts and credits, commercial and personal loans, mortgages, FHA loans, amortized loans, chattel, agricultural, industrial. In fact every activity in our vast complex social and eco-

*Left to right, Freeman Strickland, Atlanta, outgoing President of the Georgia Bankers Association, and Mrs. Strickland; Haynes McFadden, with Mrs. McFadden; Robert F. Maddox, Atlanta, and Henry S. Cohen, Moultrie, incoming president of the Association. The picture was taken at the recent convention of the Association when Mr. McFadden retired as secretary of the GBA after 40 years in the post. He will devote full time to The Southern Banker, now published jointly with his son Bradford, together with The American Bottler and the Guide for the laundry and dry cleaning industries. (See page 32, April BANKING, for complete story on Mr. McFadden's career)*





## Do You Bank on Your Investment Dealer...

... to keep you personally informed on all that's important when it comes to stocks, bonds, and institutional markets... to come up frequently with timely suggestions concerning buy and sell opportunities that might improve your portfolio?

Do you want him to be as competitive as most when it comes to specific issues... to be active enough as an underwriter to permit your participation in a wide variety of initial offerings?

Would you like to work with an organization large enough to cover every major market... to buy or sell sizable blocks with maximum speed and efficiency—a minimum effect on price?

If qualifications like these are important to you, you may have an interest in some of ours.

Last year, for instance, we managed to be of particular service to hundreds of banks in all parts of the country.

Perhaps because our 108 offices from coast to coast are constantly linked by 65,000 miles of private wire—can always provide us with up to the minute, on the spot coverage of every major market...

Perhaps because we took part as underwriters in some 316 different corporate and municipal issues... could offer everything from equipment trust certificates to convertible preferreds, from an interest in airlines to a block in chain stores...

And perhaps because our Trading Department is 30 or 40 strong... deals each year in 5,000 to 10,000 issues... can always contact more than 1100 account executives with thousands of individual and institutional contacts to help find the most attractive market for a given security.

If you ever feel that these services and facilities might be useful to you, may I promise my prompt, personal, and confidential attention.

MR. R. J. CHVAL, *Manager, Institutional Department*

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8" diameter \$39.50  
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nomic machine requires the lubrication of credit at every phase of its operation. And we have to remember that every transaction brings with it opportunities for larger acquaintance, new and lasting friendships which are made or broken, depending upon our attitude and application to each particular case. 'A friend is made by many acts, and lost by only one.'

"One of our major responsibilities is to promote confidence in banking, not only for the safety of deposits, but that our people may feel that their financial welfare in their own communities is well safeguarded."

Competitive banking in Dallas received a report in *Newsweek* for April 27. Mentioned are Republic National Bank, First National, Mercantile National, and Texas Bank and Trust Company. A picture shows the parking lobby of the First National's motor bank.

### Chicken for Pioneers

Over 160 persons, members of the Lee County Bank (Fort Myers, Florida) Pioneer Club, ate fried chicken and reminisced over old times at the fourth annual get-together of folks who've lived in the county for 50 years. The club is sponsored by R. A. HENDERSON, JR., chairman of the board, and expenses are underwritten by the bank.

(CONTINUED ON PAGE 24)

Mr. Henderson swings a lady







*He proved that*

## WHAT YOU DON'T KNOW WILL HURT YOU

One man in particular has made a fetish of disproving the old adage—"what you don't know won't hurt you." He is Roy F. Buchman, Chief Auditor of Mellon National Bank and Trust Company.

Not that bankers in general accept this adage. Larger banks employ their own auditing staffs, like that operated by Mr. Buchman, to provide them with up-to-date information on their operations.

But small and moderate-sized banks have long faced a common problem—how to obtain the benefits of an auditing program without running up unnecessary expense. Mr. Buchman decided that something should be done about it.

He set out to prove in a graphic way that "what you don't know *will* hurt you." The first requirement, he felt, was to develop a system that could be operated by existing bank personnel, without placing excessive added demands on their time.

The result was a series of check-list questions, which enable even the smallest bank to make its own periodic audit. The system is carefully designed to bring to light vital information which otherwise might not be discovered until too late.

Published in booklet form under the title *Audit Aid for Small and Moderate-Sized Banks*, the system was first introduced at Mellon's Correspondent Bank Conference two years

ago. Later, upon special request of The Surety Association of America, permission was given to reprint and distribute the book to all association members.

Today, Mr. Buchman's booklet has achieved a circulation of 25,000 copies—which is more than that of the average best seller, our publishing friends tell us.

What is Mellon Bank's stake in all this? Only that it is further evidence of our belief that whatever helps banking helps Mellon—and that Correspondent Bank relationships can, and should, go far beyond the rendering of merely routine services.

★ ★ ★

*Although Mr. Buchman's "Audit Aid for Small and Moderate-Sized Banks" has been widely distributed, if you do not have a copy, we will gladly send you one upon request.*



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**CAPITAL \$60,100,000**

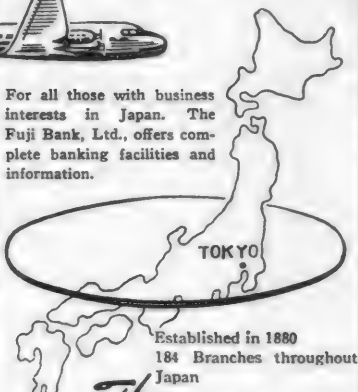
**SURPLUS \$150,000,000**

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Chairman of the Board of Directors SEIJI SAKO

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LONDON BRANCH: Court-hall chambers, Angel Court, London E.C. 2

## MAIN STREET (continued)

RICHARD B. SCUDDER, publisher of the Newark (New Jersey) *Evening News*, has been elected a director of the National Newark & Essex Banking Company.

FOSTER W. DOTY, president of Union Trust Company, Springfield, Massachusetts, has been named co-chairman of the public relations advisory committee of Community Chests and Councils of America, Inc.

### Hughes Joins Dodge in Budget Bureau

ROWLAND R. HUGHES, formerly of the National City Bank of New York, is now Assistant Director of the Budget, forming a banker-team with Budget Director JOSEPH M. DODGE.

MR. HUGHES joined National City on graduation from Brown University in 1916. He served in foreign branches in London, Shanghai, Bombay, and Japan, subsequently becoming Inspector of European branches, resident there. He returned to the head office in 1929, became comptroller in 1934, and vice-president in 1951.

He has been active in tax work for many years, both in this country and abroad. At the time of his confirmation in the new Govern-



Rowland R. Hughes

ment position, he was chairman of the A.B.A.'s Special Committee on Excess Profits Tax, and had held similar posts with the Federal Tax Policy Committee, Comptrollers Institute, Foreign Trade Council, and Council of State Chambers of Commerce.

MR. HUGHES' work on taxes led him into studies of Government spending and he has acted as technical consultant and adviser to various groups inquiring into that subject, including those assisting the Appropriations Committees of Congress.

(CONTINUED ON PAGE 28)

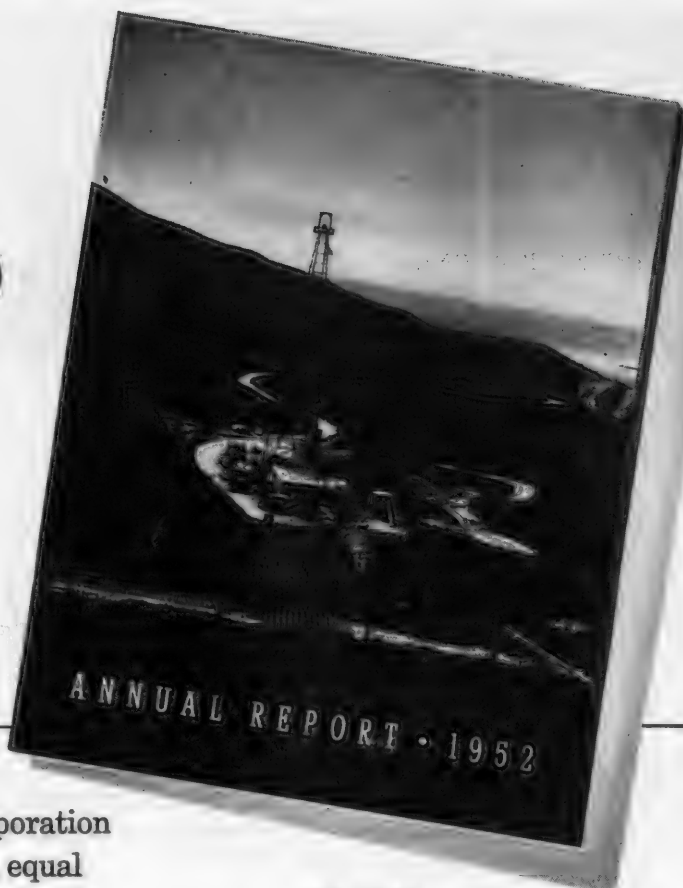
On your  
trip to  
New York...  
Your Hotel  
should be...



The Barbershop Octet in action in *The Monroe Street Monkeyshines of 1953*, with book, lyrics, music, direction, costumes, choreography, production, and performance entirely by employees of Harris Trust and Savings Bank, Chicago. *Monkeyshines* is an annual production, now five years' old, which requires three performances to accommodate the ticketholders. No profit, though; tickets are free to the bank's 1,000 employees and their families. A condensed version will be given in June for patients at the U. S. Veteran's Hospital at Hines, Illinois



# RICHFIELD REPORTS ON 1952



Net earnings of the Corporation for 1952 were \$25,625,000, equal to \$6.41 per share.

Gross crude oil production in 1952 amounted to 27,440,000 barrels. Net production was 21,161,000 barrels.

Crude oil processed at the Corporation's refinery in 1952 totaled 38,383,000 barrels.

Sales of refined products amounted to 34,146,000 barrels. Sales of crude oil totaled 10,134,000 barrels.

## OUR COVER...

*Richfield's Discovery Well—Wheeler Ridge—1952*

WE WILL BE PLEASED TO SEND YOU A COPY OF OUR 1952 ANNUAL REPORT. WRITE: SECRETARY, RICHFIELD OIL CORPORATION, 555 SO. FLOWER ST., LOS ANGELES 17, CALIF.

## COMPARATIVE INCOME ACCOUNT

	1952	1951
Gross Operating Income	\$180,828,129	\$186,460,591
Costs and Expenses	135,882,960	131,718,631
	\$ 44,945,169	\$ 54,741,960
Interest Expense and Non-Operating Income—Net	(220,171)	(223,679)
	\$ 44,724,998	\$ 54,518,281
Provision for Federal Income and Excess Profits Taxes	19,100,000	26,300,000
Net Income	\$ 25,624,998	\$ 28,218,281
Net Income per share	\$6.41	\$7.05

*Richfield*



**OIL CORPORATION**

*Executive offices:*

555 South Flower Street, Los Angeles 17, California



**JAMES F. BELL**  
Chairman, Committee on  
Finance and Technological  
Progress, General Mills,  
Minneapolis.



**LLOYD D. BRACE**  
President, First National Bank  
of Boston.



**VANNEVAR BUSH**  
President, Carnegie Institution  
of Washington.



**CLEO F. CRAIG**  
President of the American  
Telephone and Telegraph  
Company, New York.



**DAVID A. CRAWFORD**  
Director and formerly Presi-  
dent, Pullman, Inc., Chicago.

# "The Trust You

*As you used your telephone today, you probably had your mind on other things than the policy of the telephone company. But the principles that guide a business like ours directly affect your telephone service. So they are important to everyone who uses a telephone, as well as to the 1,230,000 people who share ownership of the Bell Telephone System.*

We think you will be interested in a message that was sent recently to the share owners of the American Telephone and Telegraph Company by its Board of Directors.

## A message from the Board of Directors of the American Telephone and Telegraph Company

"Each of us considers that he is a trustee for the savings of every individual who has put money in the business. It is our responsibility that the Company shall prosper.

"We are sure that to perform this duty, we must serve the public as well as possible. The Company is a servant of the public. The services it performs are necessary to the people of the United States. They are necessary to the building of our nation and to our



**JOHN J. McCLOY**  
Chairman of the Board, Chase  
National Bank, New York.



**ARTHUR W. PAGE**  
Business Consultant,  
New York.



**THOMAS I. PARKINSON**  
Chairman of the Board, The  
Equitable Life Assurance Society  
of the United States, New York.



**ELIHU ROOT, JR.**  
Lawyer, New York.



**TOM K. SMITH**  
Chairman of the Board, The  
Boatmen's National Bank of  
St. Louis.





**JOHN W. DAVIS**  
Davis Polk Wardwell Sun-  
derland and Kiendl, New York.



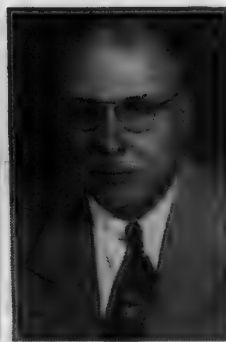
**HAL S. DUMAS**  
Executive Vice President of the  
American Telephone and Tele-  
graph Company, New York.



**W. CAMERON FORBES**  
Partner, J. M. Forbes &  
Company, Boston.



**G. PEABODY GARDNER**  
Trustee, Boston.



**JOHN L. McCAFFREY**  
President, International  
Harvester Company, Chicago.

# *Have Placed In Us"*

national security. Clearly, we occupy a position of great public trust.

"We think it all-important therefore that we furnish the best telephone service it is in our power to provide—a service high in value and steadily improving—at a cost to the user that will always be as low as possible and at the same time keep the business in good financial health.

"The success of the business depends on the people in it. To serve well and prosper the Company must attract and keep capable employees. They must be well paid and have opportunity to advance in accordance with ability. And we must continually develop first-rate leaders for the future.

"Finally, it seems to us that it is always our duty to act for the long run. Sound financing, good earnings, reasonable and regular dividends—these are all long-term projects.

"So is our continual research to find better means for giving better telephone service. So is the building of the human organization and character on which good service depends. So is the training of leaders. In all our undertakings, the long view is essential.

"This is the way we understand the trust you have placed in us. It is a trust that deserves, and will continue to receive, the most painstaking care we can give it."



**MYRON C. TAYLOR**  
Formerly Chairman of the  
Board, United States Steel  
Corporation, New York.



**SAMUEL A. WELLDON**  
Formerly Chairman of the  
Board, The First National  
Bank of the City of New York.



**WILLIAM WHITE**  
President, New York Central  
Railroad Company, New York.



**A. LEE M. WIGGINS**  
Chairman of the Board,  
Atlantic Coast Line Company,  
Hartsville, S. C.

**BELL  
TELEPHONE  
SYSTEM**



**New!** *Colorful*

**United  
WEATHER  
TOWERS**

*...will help Your Bank create  
Good-Will through a  
worthy public service*

Flasher Official  
U. S. Weather  
Forecasts



**Write for FREE  
DESCRIPTIVE FOLDER**

## MAIN STREET (continued)

City Bank, Detroit, has three new vice-presidents: JAMES P. CUMMISKEY, JR., WALTER F. FINAN, and PEARCE FOWLOW. WILLIAM P. LA-DOUCEUR was made assistant cashier.

### Miss Cleary Appointed Assistant Treasurer

CATHERINE B. CLEARY, trust officer of First Wisconsin Trust Company of Milwaukee, has been named by President Eisenhower as Assistant Treasurer of the United States. U. S. Treasurer is Ivy Baker Priest.

MISS CLEARY has for the past year been president of the Association of Bank Women, a post from which she resigned on May 15.

She holds an A.B. from the University of Chicago; an LL.B. from the University of Wisconsin. She was admitted to the bar in Wisconsin and Illinois, and is a member of the American Bar Association, the Wisconsin Bar Association, and the Milwaukee Bar Association.

MISS CLEARY practiced law in Chicago before she joined the staff of the First Wisconsin Trust Company in 1947. She became assistant trust officer in 1949, and trust officer in 1950. Her work has been primarily in personal trust administration and legal problems, and she has been in demand as a speaker on wills, trusts, and taxes at forums sponsored by banks and women's clubs throughout the country.

Her activities are myriad. She has been a member of the board of regents of Wisconsin State Colleges; an officer of the Visiting Nurse Asso-



Catherine B. Cleary

ciation of Milwaukee; secretary and board member of Junior Achievement; board member of Milwaukee

WALTER BRUCHHAUSEN, vice-president of the Kings County Savings Bank, was nominated by President Eisenhower to be Federal judge for the Eastern District.

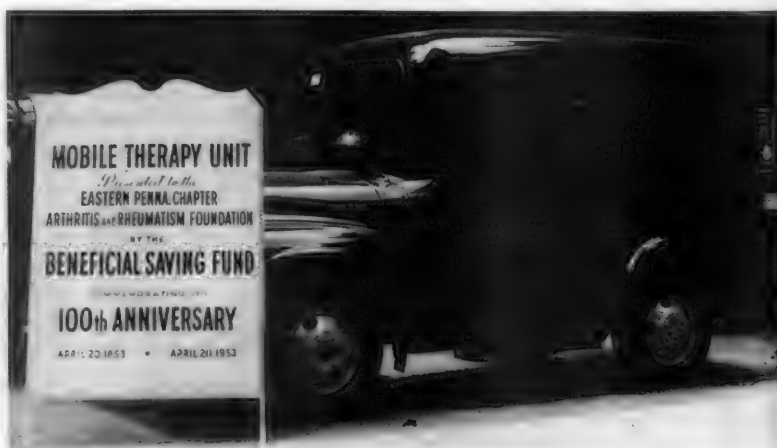
### Good Neighbor

WHEN the SMETHPORT (Pennsylvania) NATIONAL BANK held an open house to display its remodeled quarters, the HAMLIN BANK & TRUST COMPANY of Smethport took display space in the local paper to advertise this message:

"Congratulations to our neighbor, Smethport National Bank, upon the opening of their beautiful new remodeled home. Be sure and attend their open house tonight." Branch of the Foreign Policy Association, and many others.

(CONTINUED ON PAGE 30)

This mobile therapy unit for home treatment of arthritis and rheumatism was the gift of Beneficial Saving Fund of Philadelphia to the Eastern Pennsylvania Chapter, Arthritis and Rheumatism Foundation. The unit is now operating in Philadelphia



*your Allis-Chalmers dealer invites you to see*

# how Low Bids can be Sound Business

Your Allis-Chalmers industrial tractor dealer invites you to invest a few hours with him looking behind detour signs and construction barricades. He would like to show you the latest earth-moving equipment at work and point out how a contractor with these modern, multi-purpose machines can bid low and still keep his business on a sound financial basis.

Let him tell you about the many different types of construction machines available to contractors to meet today's rigid demands and explain the vital part each plays in holding costs to a minimum. He is anxious to tell you this story, for it is a dramatic example of progress in your community. Also, it illustrates how, in terms of security, the proper equipment on the job becomes a sound investment.

We suggest you contact your Allis-Chalmers dealer soon. He is expecting you to call. He will be glad to arrange a meeting whenever it is convenient for you.



The pick and shovel was never like this! Here one man with an Allis-Chalmers Tractor Shovel digs an average-sized basement in less than two hours. As he works, he loads material into trucks or stockpiles it for later filling and leveling.

**ALLIS-CHALMERS**  
TRACTOR DIVISION — MILWAUKEE 1, U. S. A.



Great power, minute precision—that's the combination you will find in Allis-Chalmers motor graders. These machines handle the final finishing and sloping of roadbeds with the smoothness and accuracy necessary for today's high-speed travel. In addition, they slope banks, cut ditches, and maintain the important farm-to-market gravel roads.



Fast, self-propelled Motor Scrapers scoop up the equivalent of a "room full" of dirt at a pass, and haul it away at speeds up to 22 m.p.h. Without equipment like this to put earth moving into high gear, the cost of building today's new roads would be prohibitive.

*have you business in*

## LONG BEACH, CALIFORNIA?

More than likely, you do have items in California's fifth city—Long Beach.

This city by the sea (250,767 population) is a leading convention, tourist and petroleum center. It ranks as second port of the Pacific Coast in shipping tonnage—second only to next-door Los Angeles Harbor. Last year, Long Beach handled 6,799,750 tons of shipping worth \$661,667,000. Bank debits amounted to \$2,545,096,000 . . . retail sales, \$374,000,000 . . . building permits, \$48,393,070.

Security-First National is the bank to serve you in Long Beach . . .

We opened there in 1896, added a second Branch in 1920—and a third in 1923. Since 1946, we've had four fully-staffed Long Beach Offices.

And, of course, a single Correspondent account with Security-First National puts at your disposal the facilities of 140 Offices and Branches . . . providing complete, competent, streamlined Correspondent service from Mexico to mid-state Fresno, as well as throughout the vast Metropolitan Los Angeles area.

We would be pleased to serve you as your Correspondent. Write: Bank and Customer Relations Department.

### RESOURCES OVER 1½ BILLION DOLLARS

#### MANAGING COMMITTEE

George M. Wallace, Chairman  
Chairman Board of Directors

James E. Shelton  
President

L. W. Craig  
Vice President

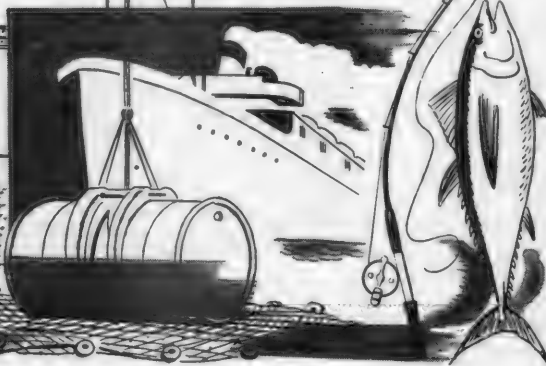
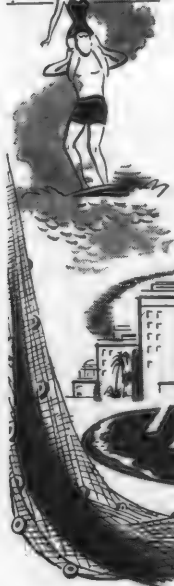
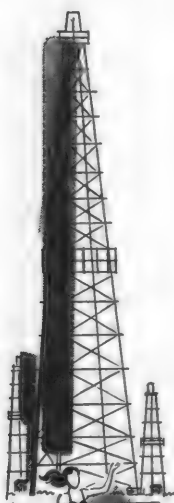
Chester A. Rude  
Chairman Executive Committee

C. T. Wienke  
Vice President

# SECURITY-FIRST NATIONAL BANK

OF LOS ANGELES

Member Federal Reserve System  
Member Federal Deposit Insurance Corporation



## MAIN STREET (continued)

CHARLES B. CALLINAN and OSCAR H. CLAWSON, both of Central-Penn National Bank, have become members of the 50-Year Club of the Pennsylvania Bankers Association. Both began their banking careers in 1903 as clerks at the Penn National, which later merged with Central National to form the present institution.

### Even Steven

VALUABLE real estate on New York's Wall Street, which has been Government-owned since 1824, has just been traded to THE SEAMEN'S BANK FOR SAVINGS. The bank gets the old U. S. Assay Office property at 30-32 Wall Street, while the Government takes the bank-owned Ludwig Baumann Building at 210-220 Livingston Street, Brooklyn.

The Assay Office property has been unused for some 20 years. The Ludwig Baumann Building is already occupied by Federal offices and, in taking title to the property, the Government will realize an annual net saving of more than \$250,000. The Assay Office property, which has been tax-exempt for 129 years, will begin adding tax dollars to New York's treasury.

The bank has received permission from the State Banking Department to move its main office from its present building at 74 Wall Street to the new location. Construction of the new main office quarters starts immediately.

(CONTINUED ON PAGE 134)

Alan H. Temple (left), executive vice-president, National City Bank of New York, with William A. McDonnell, president, First National Bank in St. Louis, at the third annual Business and Financial Forum sponsored by First National. Mr. Temple, forum speaker, is officer in charge of National City's *Monthly Economic Letter*





**rapid expansion**

**created this banking problem**

An aggressive manufacturer in the engine field was expanding so rapidly that his needs for operating capital exceeded his open line of credit.

Recognizing that a secured financing program was the answer to the problem, his bank asked Walter E. Heller & Company to "take a look." As a result, adequate funds were made available through accounts receivable and chattel mortgage financing.

By participation with Walter E. Heller & Company, the bank became a secured creditor with the benefit of a cross-collateral position. At the same time, the bank did a real service for their client who was able to maintain his program of healthy expansion.

Bank officers charged with responsibility for making loans are invited to learn the details of Heller Supplementary Financing. A booklet describing the nature of our services and the scope of our activities will be sent on request.

Suggestions for dealing with specific problems will be given in confidence and without obligation. Please address:

BANKING SERVICE OFFICER

**WALTER E. HELLER & COMPANY**

*Established 1919*

BANKERS BUILDING, 105 W. ADAMS STREET, CHICAGO 90

#### THE FINANCIAL SERVICES

rendered by Walter E. Heller & Company are not fully identified by simple tabulation because they are variously coordinated and applied to fit specific situations.

The following types of supplementary financing are flexibly administered according to experience gained from national operations which now represent a volume in excess of \$300,000,000 annually.

ACCOUNTS RECEIVABLE FINANCING  
INDUSTRIAL AND RETAIL FACTORING  
INSTALLMENT FINANCING  
REDISCOUNTING  
MACHINERY AND EQUIPMENT LOANS  
INVENTORY LOANS



# "PLUS FACTORS" DISTINGUISH NATIONAL CITY'S CORRESPONDENT SERVICES



## AT MACHINE TOOL PLANT

National City machine tool specialist Malcolm W. Robinson, center, adds "plus factor" by on-the-spot discussion of industry's financing needs with local banker and company treasurer.

**LARGE MAILROOM** (below) at Head Office speeds our Monthly Letter on economic conditions around the world to bankers, businessmen, statesmen, and leaders in every walk of life. Nearly 225,000 people consider this timely, authoritative publication "must" reading. Prepared by National City's Economics Department, it is mailed free upon request.



National City offers other banks a great deal more than run-of-the-mill "courtesy" service. Its world-wide organization with 67 New York and 57 overseas branches—backed by 141 years of experience—helps its large family of correspondents answer every imaginable banking question.

An effective correspondent relationship means, first of all, the prompt, accurate handling of regular banking transactions. National City's well-staffed, speed-conscious operating departments competently fulfill this basic requirement. But equally important is the *personal* attention National City officials give to every correspondent bank problem.

National City officers make frequent trips throughout the country to learn first-hand how to serve National City's correspondents better. In addition, each district officer is a specialist in at least one industry or line of business. This rich pool of commercial knowledge is invaluable to bankers faced with new financing situations or other problems in their own communities.

These are but some of the "extras" to consider when you choose a New York correspondent. Let National City "plus factors" help you serve your customers more completely.

## THE NATIONAL CITY BANK OF NEW YORK

Head Office at 55 Wall Street, New York

*Around-the-clock Transit Service • Collections • Credit Information • Bond Portfolio Analysis • Dealings in State and Municipal Bonds • Participation in Local Loans • Safekeeping • Complete Foreign Facilities • Personalized Service*  
Complete Metropolitan New York Branch Coverage

Member Federal Deposit Insurance Corporation



**BANKERS** who plan extension or streamlining of services find visits to National City's Head Office or branches helpful. Here a visiting officer keeps up to date on personal loan operations with J. Andrew Painter, Vice President. National City pioneered in the personal credit field over 25 years ago.



**GROUPS OF NATIONAL CITY OFFICERS** supervise the Bank's affairs in various domestic and overseas geographical areas. For example:—E. Newton Cutler, Jr., (at left), Vice President, heads the Middle Western district. Associated with Mr. Cutler are John M. Potter and James F. Jaffray, Vice Presidents; Richard E. Thomas, Assistant Vice President; B. Douglas Hill, Stephen C. Eyre, and T. Carl Wedel, Assistant Cashiers.

## The OUTLOOK and CONDITION OF BUSINESS

**A**s these first months of the New Dispensation pass into history and the pattern of national policies becomes clearer—slightly—there is a tendency for business to feel a great yearning to reach some general conclusions about the future, particularly the long future. This is only natural.

It is the nature of business to reach conclusions about the future, but for some time it has also been the nature of business to shy away from looking too closely at the long future. Sufficient unto the day were the fat statistics thereof, for always there was that old debbil, a feeling that all was not quite proper and righteous with the prevailing prosperity because it was based so largely on the destructiveness of war and the wastefulness of our global free-lunch policy.

So while business does not like every detail of this newly developing pattern, it does like some kind of a pattern instead of a crazy quilt, as President Eisenhower recently referred rather brusquely to his inheritance. In any case, these conclusions seem to add up to a feeling that progress is being made toward an economy that is free at home and respected abroad. However, the Government will long play a major role in absorbing and spending the nation's income.

Another is that a start has been made toward regaining the initiative in the cold war.

Also there is apparently every intention of reversing the inflationary processes of the past 20 years, but gently, *gently*.

A world war is farther away, business is concluding, and so is real peace. War in Europe is less imminent and in Asia more likely.

Trade-not-aid is a good objective but will be hard to reach. We shall continue for many years to bear a heavy burden for foreign aid and common defense.

Production in many consumer lines is too high and some recession is inevitable. This may take a year but a serious depression is not expected because, even if real peace came, American industry and finance feel prepared with new products, new methods, and new markets for a period of healthy expansion.

The Government intends to follow a tight money policy for the time being, even if politically unpopular, which means that credit will remain relatively costly.

One final conclusion for our list might be that the Government's whole approach to problems here and abroad appears to be consistently pragmatic. This word pragmatic, incidentally, is one that discourages many persons because it seems to have so many obscure meanings. It should be used carefully because it is often used carelessly. It is handy because it can be used in many pragmatic connections, as long as it is used pragmatically.

With this latitude, pragmatic here means middle-of-the-road, thinking before acting, studying before deciding, compromising before slugging, negotiating before denouncing, and determining beforehand how a policy might work out. Knowledge now follows experience, whereas for some years human experience and the lessons of history have had a back seat.

Pursuing this fascinating word one step farther, would a thoroughly pragmatic government have allowed us to become so involved in Korea that we can't go ahead, we can't back up, and we can't stand still? And so it goes with many other questions and predicaments bearing on the business outlook.

A good definition of the practical objectives of national policy is contained in these paragraphs from President Eisenhower's message concerning the appointment of a commission to reexamine foreign economic policy and its relation to domestic business:

"The economic policy of this nation exercises such a profound influence on the entire free world that we must consider carefully each step we take. Changes in foreign economic policy—even those which at first have relatively slight consequences within this country—may either strengthen our allies or plunge them into a downward spiral of trade and payment restrictions, lower production, and declining living standards.

"Our foreign economic policy also has important im-

(CONTINUED ON PAGE 144)

# New England's Fed

**T**HE Federal Reserve Bank of Boston recently opened a \$4,100,000 addition to its building, providing, in six stories, 55,000 square feet of "badly needed space," as President Joseph A. Erickson put it, for its 1,400 employees.

In the picture below, *right*, are shown (*left to right*) at the dedication ceremonies: President Erickson, Treasury Secretary George M. Humphrey, Federal Reserve Board Chairman William McC. Martin, and Chairman Harold D. Hodgkinson of the Boston Fed's board of directors.

*Right, the entrance at Milk and Pearl Streets*



*Below, left, a marble relief map of the New England States on the stair landing of the new addition. It was executed by Austin Purves, Jr., and is approximately 21 feet high by 12 feet wide*



*Below, left, proof machines that handle the daily average of over 900,000 items. Lower right, the entrance hall*





# Today's Directors Keep Informed

**T**HE greatest benefit that the director can confer on his community and his bank is to bring about conditions which will enlarge the usefulness of his bank to the community—usefulness not only for today but for tomorrow. In such undertakings he has an opportunity and a capacity far beyond that of the professional bank executive. It has been well said that the success of a bank is deter-

mined by the civic and community responsibility of its directors.

In the following pages of *BANKING's* Report for June, there is presented a discussion of the bank director's job from the standpoint both of his responsibilities, as required by law, and of his opportunities, arising from his experience as a businessman and a resident of his bank's community.

## Auditing Procedures for Directors

R. G. RANKIN

*The author is head of the firm of R. G. Rankin & Co., certified public accountants of New York City.*

**M**ANY bank directors are inclined to assume that they have discharged their obligation to stockholders, depositors, and customers when the reports on the examination of the affairs of the bank, conducted by Federal or state examiners and submitted to the board of directors, seem to give the institution a relatively clean bill of health. That is, when such reports contain few adverse comments on loans, investments, and

other assets, or little criticism of the administration of the affairs of the bank.

Some state legislatures, presumably prompted by local banking authorities, apparently thought otherwise when enacting legislation which required a committee of directors appointed by the board to make an annual examination of the affairs of each state-chartered bank or trust company. Moreover, the Comptroller of the Currency must have been thinking along similar lines when his office issued the *Duties and Liabilities of Directors of National Banks*. This publication recommends directors' examina-

tions of national banks, although they are not required by law, and outlines the scope of such examinations.

A directors' examining or auditing committee generally consists of three directors appointed by the board. None of the committee members may be an executive officer of the bank. The members usually are rotated from year to year, but the chairman is customarily a director who served on the committee the previous year. The committee may have a permanent chairman. In many banks, a new member of the board is appointed to the committee as soon as feasible, inasmuch as

## A BANKING REPORT

there is no function a director performs for his bank which gives him a better insight into its internal operations and the problems confronting management.

### What Examining Means

A director undertakes an arduous and time-consuming assignment when he consents to serve on a directors' examining committee which contemplates making more than a perfunctory examination of the affairs of the bank. An effective examination, in addition to the mechanical work of proving the correctness of the accounts and records, entails:

(a) examining, or confirming when not available for inspection, notes, securities, and other pieces of paper to establish the existence and authenticity of the assets recorded on the accounts and records, including collateral and customers' securities for which the bank is accountable;

(b) confirming at least a cross section of the depositors' accounts and confirming, or otherwise proving, the correctness of other liabilities of the bank; and

(c) reviewing and passing judgment on whether or not the internal controls and internal auditing procedures within the bank afford the protection which prudent directors might reasonably expect of management.

### Avoid Perfunctory Examinations

One often hears the comment that directors' examinations are too perfunctory. If this comment is justified in a particular case, one would no doubt find these contributing factors:

(a) the directors, who were successful business and professional men, lacked the essential knowledge of the internal operations of the bank and the banking laws and customs governing such operations; and

(b) the directors, who were busy men, permitted the bank's organization to do most of the work on the examination, with little supervision by them.

Stated more bluntly, the members of the committee took too much for granted, when signing their report on the examination.

In smaller and medium-sized banks, the internal auditor, or whoever serves in that capacity, must

draft tellers and many other key employees of the bank to assist him in covering the essential work on the examination within the time scheduled; otherwise the examination will consume too much time and interfere with the routine work of the bank. Bank officers invariably grumble when that happens. The internal auditor frequently does not have a sufficient staff of assistants in the auditing department to supervise the examination properly, with the result that some bank employees may be auditing or checking records for which they are primarily responsible during the rest of the year. That situation naturally undermines the effectiveness of the examination.

### Independent Accountants

The preceding paragraphs explain why more directors' examining committees each year are engaging independent public accountants, or accounting firms, to conduct the examination for them. This trend is a challenge to members of the accounting profession who are interested in making bank examinations. To meet this challenge successfully, the independent accountants must either employ or train, at least, a skeleton staff of competent bank examiners to supervise the other accountants working on the examination. Making an efficient and effective bank examination is not just another accounting engagement or a casual undertaking. It is an undertaking which requires intimate knowledge of banking operations and customs.

The thoughts heretofore expressed do not apply to the large banks, especially those with numerous branches which maintain extensive auditing departments, working under the supervision of a comptroller or an auditor who ranks high in the bank's organization and who is accountable only to the chief executive officer or to the board of directors of the bank. In those banks, when the comptroller or auditor conducts the examination for the directors' committee, he may utilize several hundred bank employees, including 50 or more internal auditors, to meet the time schedule allotted to the examination. When the examination commences, the comptroller or auditor becomes the representative of the examining committee and that officer's standing in the bank's organ-

ization insures the examination being independent of bank management. It is doubtful whether any firm of independent accountants could match the efficiency with which examinations are conducted under those conditions. There are, however, relatively few banks in this category.

### A Book on Procedures

The New York State Bankers Association recently published a brochure entitled *Safeguarding the Bank's Assets* which outlines the auditing procedures considered essential for an effective directors' examination of a bank or trust company. This brochure should be helpful to the examining committee when discussing the audit coverage on, or the scope of, the directors' examination with the independent accountants chosen to conduct it. Furthermore, if the committee or the independent accountants decide to depart from accepted auditing procedures on the bank examination, the members of the committee at least would be in a better position to measure the calculated risk in so doing.

### Use of Internal Auditors

Another question which arises on many bank examinations is the extent to which the internal auditors, and possibly other key bank employees, may be safely used by the examiners to hold down the cost of the examination. This is a debatable question, especially since the banking department of one eastern state prohibits the committee's independent accountants' using bank employees on examinations of banks under their supervision. In my opinion, bank employees may be used cautiously to perform some of the mechanical detail work on most bank examinations without in any way undermining either the thoroughness or effectiveness of the examination. The only qualification to this statement is that the examiners know their business thoroughly, and carefully control and supervise the work performed by the bank employees.

Another type of directors' examination must not be overlooked; examinations of banks or trust companies in which both the bank's own staff of internal auditors and the independent accountants en-

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gaged by the directors' examining committee jointly participate in conducting the examination. Such examinations, generally, have proved most efficient with the additional trained manpower available, and less costly than examinations conducted solely by the staff of the independent accountants.

Two conditions, however, must exist to make a joint directors' examination mutually satisfactory to the internal auditor and the independent accountants, namely: (1) The bank must have an efficient auditing department commensurate with the size of the bank, and (2) the independent accountants must have an adequate staff of really qualified bank examiners. On the so-called "joint examinations," the independent accountants assume substantially the same responsibility as on examinations conducted solely by them, inasmuch as they are acting as representatives of the directors' examining committee. In any case, the examination must be thorough and effective.

### Measuring Internal Controls

An exceedingly important function of the independent accountants in any directors' examination is to review and weigh the effectiveness of the internal controls and internal auditing procedures within the bank in order to ascertain that management is adequately safeguarding the assets of the bank and its customers. Furthermore, this review should disclose whether or not the internal auditors are properly policing the internal controls and conscientiously following the internal auditing procedures. Obviously, no function performed by a bank examiner requires more informed judgment or the application of more common sense.

The examiner must measure the cost of maintaining the internal controls, and internal auditing of transactions flowing through the bank, against the bank's exposure to loss due to careless paper work and fraud. If an examiner recommends more internal controls or internal auditing, he must be reasonably certain that the added protection more than warrants the additional expense. Anyone conversant with the operations of a commercial bank knows that the most elaborate systems of internal controls and internal audit procedures will not

eliminate entirely losses due to fraud. Such controls and procedures, however, should uncover fraudulent transactions long before they have reached sizable proportions and, possibly, impaired the soundness of the bank.

### Vacation Policy

When the question of fraud is being discussed, there is one aspect of a directors' examination which should not be overlooked. That is the bank's policy in respect to enforced vacations and the rotation of bank employees. The examiners should ascertain, generally, that all bank officers and employees are required to take a vacation at least once each year and that bank employees holding positions which are especially vulnerable to fraudulent transactions are rotated from time to time. This policy of rotating the work of bank officers and employees, even though the period may be for a few weeks only, has uncovered so many defalcations in the past that it should be a "must" in every bank as a precautionary measure.

### Other Matters to Be Noted

The remaining paragraphs discuss another phase of the directors' examination which may or may not be applicable to the examination of a particular bank or trust company. In New York State, the banking law prescribes that, on directors' examinations of state-chartered banks and trust companies, the examining committee must evaluate or appraise the probable amounts collectable or realizable from the recorded loans, investments, and other assets of the bank. The committee also must pass judgment on the sufficiency of existing valuation and liability reserves in order to express an opinion as to the correctness of the capital funds reported in the committee's report on the examination submitted to the board of directors. Moreover, the Office of the Comptroller of the Currency charges the members of the examining committee with similar duties on directors' examinations of national banks.

The members of the examining committee take on a tough assignment under the foregoing conditions. Although the committees of larger banks and trust companies often engage experts to assemble

information on which to base their opinion, the appraised value of the loans and other assets of the bank and the sufficiency of the reserves must be determined by the members of the committee, not the experts. The committee may not delegate this function to others.

The examining committee, irrespective of whether or not they considered the valuations of bank assets on the directors' examination, should review and consider loans and other assets of the bank "specially mentioned" or listed as substandard, doubtful, or worthless in the reports on examinations of the bank made by Federal or state examiners. They should also review any criticisms or recommendations contained in those reports with the executive officers of the bank, so that they can discuss intelligently the contents of the report when presented to the board of directors. This procedure insures the board's giving the consideration to the examiner's reports to which such reports are entitled.

### "Substandard" Loans

When reviewing the reports of Federal or state examiners, some bank directors seem to think that the classification of a loan as substandard casts a reflection on the management of the bank. Actually, there is a question as to whether or not the bank is performing its economic function in the community if the bank has no substandard loans.

The only time that a reflection might arise, in my opinion, is when the bank has too many substandard loans or the loan officers are not properly policing such loans. The latter comment is especially applicable when a substandard loan has or may become a workout.

No bank director, irrespective of the size of the bank, is justified in considering effective internal auditing and directors' examinations a luxury rather than a necessary expense inherent in the operation of a commercial bank or trust company. Providing adequate safeguards to protect the assets of the bank and its customers is just as important as providing suitable quarters in which to conduct the business of the bank. It may be more important from one viewpoint: No bank employee can run off with the banking premises.

THE following four parts of this discussion were written for BANKING's June Report by T. ALLEN GLENN, JR., president of the National Bank Division of the American Bankers Association and president of the Peoples National Bank, Norristown, Pennsylvania.

## Management-Director Relationship in Banks

IN preparation for the writing of this material on the management-director relationship in banks, the writer has accumulated quite a stack of material that has been written during the past two decades relating to the duties and obligations of bank directors.

Very frankly, it is difficult to understand why an otherwise normally intelligent businessman would accept the responsibility of directorship in a bank if, before doing so, he had read some of this material. Most of it stresses the legal responsibility of directorship, particularly emphasizing what might happen to a bank director's pocketbook, or his freedom from a jail sentence, if he should be so unfortunate as unwittingly to permit some illegal act to be performed in the bank of which he is a director.

### Theme of the Statutes

Reference to law in this and subsequent paragraphs will be based mostly upon the National Bank Act, principally because the author is associated with a national bank. Without going into fine detail, it is probably true that all laws pertaining to responsibility of bank directors can be summed up into one sentence, namely: A bank director shall not permit any unsafe or unsound practice to be maintained in the bank. It is the theory of most of the pertinent statutes that it is the duty of a director to act as an ordinarily prudent and diligent man.

At this point, a conscientious businessman who finds himself a bank director, and who may have taken steps to find how he should go about fulfilling his responsibilities, is very much like a person who has bought a brand new automobile and obtained a copy of the laws and ordi-

nances regarding its operation. These laws tell him not to exceed a certain speed limit, not to disregard stop signs or red lights, not to make left- or right-hand turns at certain intersections, where not to park, and numerous other exhortations of things not to do. Such laws do not contain any instructions about the mechanical operation of the automobile—how to steer it; how to bring it to a stop; how to turn it around; how to park.

Just as an owner of an automobile must know more than he finds written in the law if he wishes to drive it successfully, a bank director must know more than he will find in the statute books or in a summary of court decisions if he wishes to meet fully the responsibilities of his office.

The average bank director has been asked to join the board of a

particular bank because he is a successful man in his chosen field. His attainments in business have demonstrated to the stockholders of the bank that he would be an extremely useful advisor and a wise counselor for the bank. This successful businessman has accepted the honor—and being invited to be a bank director is an honor—because it seemed like good business to sit on a board of directors of a bank, and, more probably, because of a strong interest in the welfare and progress of his community and a willingness to lend such abilities as he has to the community's banking institution. In accepting the honor, however, he has also accepted many time-consuming and vexatious responsibilities. It is about these responsibilities, rather than the legal liabilities, that this series of articles is being written.

## Fourfold Responsibilities

THE responsibilities of a board of directors of a bank, broadly speaking, are four-fold: First, to decide upon the policies of the bank; second, to invest the bank's funds; third, to look after the shareholders' interests; and, fourth, to employ good management.

### POLICIES

THE policies that are the responsibility of the directors can be classed in six categories. First, the policies covering the method of operations. This has to do with the type of accounting system that will be used and, more particularly, whether or not that system is mod-

ern and efficient. Under this category must be considered the extent that the bank will utilize an internal audit control program. Not all banks are alike, and each one must decide what its policies will be regarding the extent of internal audit control that will be adequate under the circumstances. Any bank director who is familiar, even to a minor extent, with accounting practices will have sufficient knowledge to judge what kind of accounting system and internal audit control is adequate. In order to determine upon this policy, the directors will need sufficient information from management as to the extent of



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the operations, the type of deposits handled, the volume of items processed in the daily work, and much other information. Obviously, management's responsibility is to inform and advise the directors so that suitable decisions can be made from time to time regarding the operation policy of the bank.

### Lending

The second policy that directors must consider is in connection with the lending functions of the bank. In most banks, income from loans represents a major portion of gross income, and the total volume of the loans themselves will represent a sizeable segment of the asset side of the balance sheet. The knowledge possessed by the individual members of the board regarding the community in which the bank operates, the local economic conditions and outlook, and the type of people and business in the community is perhaps the biggest asset the directors have to give to the bank. For, with this knowledge of the various elements that must be considered, wise decisions can be made regarding policies covering the lending functions of the bank. These policies cover many things, but, principally, decisions must be made regarding—

(1) *Policy as to the extent of the area within which the bank will confine its lending activity.* This policy will be based upon a knowledge of the trade area, the transportation system or the size and kind of competition.

(2) *A policy as to the types of loans that the bank is willing to accept.* For instance, whether or not the bank will conduct an installment loan department. Will it make term loans for the purchase of heavy equipment? In short, what types of loans does the board of directors think are safe investment in view of the nature of the deposit liability of the bank?

(3) *A policy as to interest rates—how low, how high?* In making this policy decision, the directors must know the nature of the bank's competition for loans, its own costs of operation, and what the general market is for the particular type of loan in question. This particular policy must be revised from time to time, as current economic conditions may dictate.

(4) *A policy as to the limitation*

*placed upon the lending authorities of the several officers of the bank.* While, in a great many banks, the board of directors will have the highest confidence in the credit judgment of the officers, it must be recognized that the directors have the final responsibility for the safe investment of the bank's funds, and they cannot hide from that responsibility by delegating authority to or depending upon the ability of the bank's officers. The mere delegation of authority does not remove legal responsibility. On the other hand, there is much "run-of-the-mill" business of normal proportions, authority for the handling of which can safely be given to the officers by the board of directors.

(5) *A policy must be determined upon in connection with the maximum terms as to maturity in certain types of loans.* Here, again, the knowledge of the community and of economics are an invaluable asset for the individual directors.

(6) *One of the most important policies regarding the lending functions of the bank that the board of directors must determine is the volume of loans in the several categories the bank wishes to obtain.* This volume must have a direct relationship with the deposit liability and the capital structure. Consideration must be given to the nature of the deposits, seasonal fluctuations of deposits, and their long-range trend.

### Type of Service

The third item of policy to which the board must give consideration is the type of service the bank will offer to the public. In the depository function, alone, are several types of service, such as regular checking accounts, special checking accounts, savings accounts, Christmas and other club accounts, time deposits, and registered checks. The directors, with their knowledge of the community, can determine which of these services are to be made available by the bank. In some communities, for instance, because of the nature of the population, the pay-as-you-go type of checking account might be a "must," while in other communities there could be an insufficient number of people interested in that type of service to make it a profitable item to offer. Decision must be made as

to trust department services, safe deposit boxes, various lending services, and a multitude of other types of services that are available for a bank's use if the board of directors should feel that these services are in keeping with the bank's over-all policies and would be profitable in that particular community.

After determining the types of service, it is important that the directors also determine what the charges for those services will be. In order to make a judicious decision, and to establish a sound policy, it is necessary that the directors understand the cost of operation and realize that the bank, being a private enterprise, is in business for the purpose of making a profit. As in all other policies, the board of directors is dependent, to a large extent, upon management of the bank for information covering the costs of operation.

### Facilities

Another policy with which the directors must be concerned is that of the maintenance of the facilities with which the bank operates. What type of building is the bank willing to maintain? Is it in keeping with the modern architecture of the community? Is it large enough to provide adequate banking service to the community? How much of the bank's capital funds is to be invested in bricks and mortar? Consideration must be given to the adequacy of the machinery that management has with which to conduct the normal accounting procedures. In these two items alone, the average businessman who is a member of the bank's board of directors has more than abundant knowledge with which to arrive at a wise decision of policy.

In all matters of policy the board of directors should frequently review the existing pattern in view of economic and other changes that are constantly taking place. The board should be satisfied that the bank's policies are modern and in keeping with the current situation.

## INVESTMENT

IT WAS pointed out earlier that the second responsibility of a board of directors of a bank is to invest the bank's funds. In fulfilling this particular responsibility, the directors

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should have three objectives in view; namely, safety, balance, and income.

### Safety

First, investment should be in media which present a high degree of safety. It is true that the selection of bond investments presents quite a problem to the average board of directors. The judging of quality of this type of investment is a complicated process, requiring specialized training and great experience. In fulfilling this particular part of their responsibility, the directors should know the sources of information to which they may look for guidance and advice. Correspondent banks and financial analysts are two of the many sources to which each director should look and upon which they should depend for good advice so that they may fulfill the requirement that the bank's funds be invested with a high degree of safety.

### Balance

The second objective is that of balancing the entire investment program, including the loan portion, against the deposit liability. The nature of the deposit liability of one bank is not necessarily the same as in another bank, even in the same community. One bank may be doing deposit business with a group of large manufacturers, with individual deposits subject to wide fluctuation. A neighboring bank might be doing business with a great number of individuals in that community, whose separate deposits were much smaller but more stable as far as continuing volume is concerned. One community might be dependent upon a single crop for its wealth, and the bank deposits in that community would normally fluctuate widely, depending upon whether the crop were still in the ground or had been harvested and sold. Another bank might be in an industrial area with diversified industry, so that its deposit structure was not subject to seasonal, violent fluctuations.

The directors should give consideration to the individual peculiarities of the deposit structure before making decisions as to how much of the deposits are to be invested in long-term investments, how much in short-term loans, and how much in highly liquid short-term Govern-

ment bonds. In making these decisions, the directors are dependent upon management to supply them with the statistical information regarding deposit liability.

### Adequate Income

The third objective of the investment program of the bank for which the directors are responsible is that of providing income from the investment program that will be adequate to operate the bank. This is not an easy task, and a knowledge of budgets, rates of return, and other operating statistics is needed so that the investment portfolio may be put to work at sufficient rates of return to supply the volume of dollars needed for the operating expenses and other income requirements of the bank.

The usual good common sense generally found in the average successful businessman who is a bank director will serve well in formation of decisions regarding the investment program. Such an average, successful businessman will usually, in this phase of directorship, act as an ordinarily prudent and diligent man.

## SHAREHOLDERS

THE third broad responsibility of directors is that of watching over the shareholder's interest. In the final analysis, directors are elected by the shareholders as their representatives in conducting the business in which the shareholders have an investment. In fulfilling this responsibility, directors always should keep in mind that the shareholders are investors and, as such, expect to obtain a fair return upon their investment. The directors must decide what is a fair return in view of the value of the shareholder's original investment plus the accumulation of earnings that have been allowed to remain in the bank's capital structure. A second requirement of a shareholder is that his investment be kept sound. Part of the director's responsibility, then, is to determine how much of the earnings of the bank should be ploughed back in the form of reserves or additional surplus. On top of these two responsibilities to the shareholders is the necessity for the directors to look into the future and provide for expansion of the

business, either through the accumulation of undivided profits or the issuance of additional stock.

In fulfilling this third responsibility the experience of the average businessman and his knowledge of business trends are again of great usefulness to the bank.

Experience gained in the operation of his own business and his study of business trends in connection therewith automatically are put to use as he and the other directors exchange viewpoints, weigh the facts, and come to sound decisions as to policies regarding dividends, reserves, and future expansion.

## MANAGEMENT

THE final responsibility of a board of directors of a bank is to employ good management. While each director of any bank may be a very successful businessman, it is seldom that we find on a board of directors, other than any bank officers who might be members, men who have been educated and trained in banking. The details of the actual operations of a bank are quite complex, and it is unfair to expect of directors, who are usually kept busy enough operating their own businesses, to give more than a few hours each week in connection with the operation of the bank.

As has been stated earlier, the primary responsibility of bank directors is to determine the policies and the investment program of the bank. After determining these, the board of directors should look to management to conduct the affairs of the bank, in all of its operations, within the limitations of the policies decided upon. Management employed by the directors should be capable, and the directors should be willing to provide an adequate salary. The employment of a man, or men, to operate a bank at a salary not in keeping with the responsibilities, the knowledge necessary, and the ability required is one of the false economies that too often is found in a great many of our smaller banks. The board of directors has a right to expect many things of management. (Some of these will be set forth later.) But, in the final analysis, they will receive in return only that for which they pay. It has been said, "A workman is worthy of his hire." A wise board of di-

rectors will see that those they employ to manage the bank for them receive suitable compensation for the work they do, the knowledge they have, and the ability they expend on behalf of the bank.

While the directorship in a bank involves a legal liability, it also requires a recognition of responsibility. For the most part, the legal requirement is merely the knowledge of unsound practices that should not be permitted in a bank. But the responsibility of a director

requires that the bank be operated within these legal limitations. It also requires that the individual, when acting as a bank director, utilize the knowledge, experience, and ability he has acquired in his own business in adopting policies, in investing the bank's funds, in safeguarding the shareholders' interests, and in employing competent management. In short—to act as any ordinary prudent and diligent man would act in coordinating his own business.

## Keeping Directors Informed

IN connection with employing good management, it is much better procedure for a board of directors to employ a man, or men, who are qualified by training, experience, and education to manage the affairs of the bank and its multitudinous operations in conformity with the policies established by the board of directors, rather than for one or more of the directors to attempt to attend to the details of bank operation on a part-time basis.

It has been pointed out that adequate compensation should be provided for such men to act as the operating heads of the banking institution involved. Nevertheless, it also was pointed out that, in the final analysis, the board of directors, as a whole and individually, would be held responsible by supervisory authorities in the event some infractions of the law occurred within the bank, or should the safety of the depositors' dollars in any way be jeopardized because of failure on the part of the bank to safeguard the deposits in every way possible. In other words, the mere delegation of authority does not remove responsibility nor legal liability.

In employing management, the board of directors should recognize that the effectiveness of an individual or of individuals so employed could be greatly impaired if the board did not delegate sufficient authority to management to handle ordinary administrative matters and carry on the regular day-to-day business. Regardless of the title assigned to the one whom the board selects to operate the bank—whether president, executive vice-president, or cashier—appropriate reso-

lutions should be adopted, either as amendments to the by-laws or as specific enabling resolutions, giving to that individual broad general authority to conduct the affairs of the bank in line with over-all policies. It would be foolish to pay good salaries and then restrict the initiative and abilities being paid for.

### Hire an Administrator

The directors should realize that the man who should be employed to represent them as management should be able to cope with administrative detail. That responsibility is his, just as the responsibility of making decisions as to policy is that of the board. However, management of the bank, in addition to its responsibility to administer the affairs of the bank and conduct its operations in accordance with the policies adopted by the board of directors, has another responsibility; namely, to keep the board informed. This responsibility includes preparing and presenting to the board a broad list of various kinds of information, the type of information that the board will need in order that it may fulfill its responsibilities of (a) adopting policies for the bank, (b) investing the bank's funds, (c) looking after the shareholders' interests.

If the board of directors is to adopt wise policies covering the methods of operation of the bank, it must be informed on a regular basis concerning the many details involved. First, information about the volume of activity—how many tellers' transactions are handled daily, how many savings transac-

tions? What about the bookkeeping department—how many accounts are maintained, what is the volume of posting operations? These are only a few of the items of information necessary for a board of directors in order that they may make adequate decision as to the type of machinery the bank might purchase, or whether additional machinery should be purchased. Regular reports showing this type of information also are necessary so the board may decide about increasing the personnel. Particularly is this true if the information is given on a comparative basis, showing the growth of the bank. An example of a report to a typical board of directors of an average small bank is included with this article (Exhibit 1).

The maintenance of consistent reports about a cost analysis system in a bank is another kind of information that a board of directors definitely needs if it is to make wise decisions regarding the policies of the bank in connection with service charges, interest rates on loans, and interest allowances on time deposits. Wise management would see to it that such a cost-analysis system is maintained in the bank and that the pertinent details and results of such analysis are presented to the board of directors on a regular basis.\*

It is quite obvious that a group of businessmen, successful in their own chosen fields of endeavor, when sitting as a board of directors of a bank would much prefer to have factual information when making decisions about charges and interest rates rather than broad guesses or statements of what competitor banks are doing. The chances are that the competitor banks, whose rates are being quoted, also based those rates upon guesses and not factual information about their costs of operation. It would seem, therefore, that one of the regular reports of management to the board of directors would be such factual information concerning costs of operation.

It is the duty and responsibility of a board of directors of a bank to formulate policies regarding its lending function. As pointed out in the previous article, these policies

\*A series of articles on conducting such a cost analysis program in an average small bank was written by the author of these articles and appeared in *BANKING* in 1949 and 1950.



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cover (a) the area within which the bank will confine its lending activity, (b) the types of loans the bank will handle, (c) interest rates, (d) lending authority of the officers of the bank, (e) maximum terms or maturities desired, and (f) the volume of loans considered adequate.

Obviously, such policies, as finally adopted, would be based upon the considered judgment of the board as to what was best for the bank in view of the economics of the community, the clientele of the bank, and the nature of its deposit liabilities. As previously pointed out, the final responsibility for the safety of the bank's investments lies with the board of directors. Their responsibility does not cease merely with formulating policies, but continues to the extent that the board must satisfy itself that the policies are being strictly carried out. Therefore, it is a responsibility of man-

agement to provide the board with sufficient information on a regular basis so that the individual board members will know that the policies of the bank are being fulfilled.

Such reports should be made regularly at each meeting of the board. They would include a report of new loans disbursed, of renewals handled, of delinquencies and what is being done about them. In addition, special studies of certain segments of the loan portfolio should be prepared, particularly where such segments comprise a sizable portion of the bank's loan portfolio. As an exhibit to this article (see Exhibit 2), there is shown a report prepared by one small bank of its real estate mortgage portfolio, where such portfolio represents about 35 percent of the total loans of the bank. Exhibit 3 shows a report of the same bank covering the consumer credit department. The vol-

ume of consumer credit loans outstanding represents slightly more than 40 percent of the total loan portfolio. These two reports are prepared for the board of directors annually and the comparative figures presented enable the board to determine whether or not that particular section of the loan portfolio is developing any weakness. Decisions can then be made, and are made in the case of this particular bank, as to the policies regarding maturities, interest rates, and general quality of the loans to be accepted in the future.

Another exhibit (Exhibit 4) is of a monthly report of delinquency in the mortgage loan department. The statistical information at the bottom of the report, with comparisons, enables the board to judge the effectiveness of the administration of this particular segment of the loan portfolio. Actually, this monthly report serves a purpose additional to that of informing the board, for it also acts as a spur to the particular individuals in the bank responsible for the administration of that section of the loans. Similar reports are prepared monthly for the consumer credit department and the commercial loan department.

It should be obvious that, with a continual flow of this type of information, a board of directors is in a position to make intelligent decisions regarding any change in the policies governing the loan function of the bank.

### Watch for Innovations

One of the responsibilities of the board of directors is to determine the types of service the bank will offer to the community. It is hardly likely that the average member of a bank's board would be in a position to know all the innovations of banking services as they are developed from time to time. While it is not a daily occurrence, new forms of service are devised quite frequently and announcements of these appear in the banking journals. Alert management will see to it that, as these innovations are developed, the board of directors will know about them.

Wise management will keep its eye on what the managements of other banks are doing and be quick to recognize possibilities for the use of any particular new device or idea in its own bank. Decision about util-

### EXHIBIT 1

#### STUDY OF ACTIVITY VOLUME FOR 1951-1952 (Includes Main Office and Blankville Branch)

	1951	1952	Percent of Change
<b>BOOKKEEPING DEPARTMENT</b>			
Number of Accounts on Books at End of Year:			
Regular Checking Accounts.....	4,035	5,528	16.0
Personal Checking Accounts.....	2,836	4,137	45.9
Total Accounts Posted During Year.....	265,974	313,902	18.0
Per diem average.....	1,076	1,256	
Total Checks Posted During Year.....	414,459	471,359	12.8
Per diem average.....	1,677	1,885	
Total Deposits Posted During Year.....	98,144	122,799	25.1
Per diem average.....	397	491	
<b>PROOF AND TRANSIT DEPARTMENT</b>			
Total Items Handled.....	1,319,264	1,562,539	18.4
Per diem average.....	5,340	6,250	
<b>TELLERS—COMMERCIAL</b>			
Deposits Handled.....	98,144	122,799	25.1
Checks Cashied.....	102,113	140,277	37.4
Per diem average.....	810	1,052	
<b>SAVINGS DEPARTMENT</b>			
Number of Accounts on Books at End of Year.....	5,645	6,193	9.7
Total Deposits and Withdrawals.....	25,000	26,327	5.3
Xmas Club Entries.....	46,482	60,137	29.4
Vacation Club Entries.....	8,846	11,242	27.1
Consumer Credit Loan Payments.....	45,240	53,050	17.2
Mortgage Loan Payments.....	4,669	5,179	10.9
Rents—Safe Deposit Boxes and Building.....	1,135	1,275	12.3
Total Window Transactions.....	131,372	157,210	19.7
Per diem average.....	532	629	
<b>SPECIAL SERVICES</b>			
Withheld Tax Receipts.....	407	476	16.9
Savings Bonds Sold and Redeemed—Redeemed.....	7,885	9,897	
—Sold.....	2,648	3,375	
Travelers' Checks and Security Transactions.....	322	497	54.3
Safe Deposit Visitations.....	3,678	3,798	3.3
Collections.....	904	1,499	65.8
<b>LOAN DEPARTMENT</b>			
Regular Loans Disbursed (Including Renewals).....	1,482	1,363	8.0
Regular Loan Payments (Principal and Interest).....	1,545	1,746	13.0
Lobby Activity, based on window entries, Per diem.....	1,419	1,771	24.8

(Italics indicate decrease.)



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### EXHIBIT 2

#### A STUDY OF REAL ESTATE MORTGAGE PORTFOLIO FOR YEAR END 1952

With Comparisons to 1951

		Fixed Mortgages	Amortized Mortgages	G. I. Mortgages Amortized	Totals
<b>NEW DISBURSEMENTS</b>					
#	1952	\$ 9	\$ 56	\$ 8	\$ 73
\$	1952	66,750	543,750	68,750	679,250
#	1951	9	50	4	63
\$	1951	56,140	382,504	37,000	475,644
<b>OUTSTANDING AT YEAR END</b>					
Single Family Houses	1952	\$126,169 (25)	\$ 574,967 (143)	\$ 621,238 (108)	\$1,322,374 (276)
	1951	77,544 (22)	638,176 (142)	702,339 (120)	1,418,059 (284)
Farms	1952	13,700 (3)	77,446 (10)	—	91,146 (13)
	1951	34,271 (4)	53,058 (9)	—	87,328 (13)
Other Types of Property	1952	59,145 (8)	386,204 (35)	21,906 (4)	467,255 (47)
	1951	105,619 (12)	204,564 (27)	26,735 (4)	336,918 (43)
Total Mortgages	1952	199,014 (36)	1,038,516 (188)	643,244 (112)	1,880,775 (336)
	1951	217,434 (38)	875,798 (178)	729,074 (124)	1,822,306 (340)
Total Appraised Values	1952	\$679,700	\$2,551,250	\$ 968,260	\$4,199,210
	1951	686,550	2,141,900	1,016,018	3,844,468
<b>AVERAGES</b>					
Balances of Mortgages	1952	\$ 5,528	\$ 5,524	\$ 5,743	\$ 5,597
	1951	5,722	4,920	5,379	5,360
% of Appraised Value	1952	29%	41%	66%	44.7%
	1951	31%	40.8%	71.7%	47.4%
Rate of Interest—Average	1952	—	4.81%	4.00%	4.53%
	1951	—	4.73%	4.00%	4.44%
Guaranteed Portion G. I. Mortgages	1952	—	—	316,954	—
	1951	—	—	351,395	—
	1952	—	—	49.27%	—
	1951	—	—	48.18%	—
Net Average % of Appraised value—After giving effect to G. I. guarantee	1952	29%	41.0%	33.7%	37.2%
	1951	31%	40.8%	37.1%	38.2%
Average number of Mortgages in Portfolio during year					331
Average monthly delinquency—Regular Mortgages					3
Average monthly delinquency—G. I. Mortgages					9
Average number Mortgages serviced for others					106
Mortgages sold during year were 22 totaling					\$156,250

### Knowledge of Facilities

The final item of policy mentioned on a previous page, for which a board of directors is responsible, is that of the facilities within which, and with which, the bank will operate. Here, again, management has the responsibility to keep the board informed. Obviously, regular reports in this connection are not necessary, but, nevertheless, it is management that is using the facilities the bank has on the basis of about eight hours each working day; whereas, at the most, an individual director will spend only a few hours each week in the building. Very seldom will any of the directors visit the bookkeeping department, or have occasion to inspect the rest rooms provided for women and men employees. The directors are not in a position to realize fully whether or not the bank has outgrown its present quarters.

Management, genuinely interested in efficiency of operation, has a duty to inform the board of directors when the growth of the bank, changes in its method of procedure, or other factors have developed that

### EXHIBIT 3

#### A STUDY OF THE CONSUMER CREDIT DEPARTMENT

For Year Ending December 31, 1952

(With Comparison to 1951)

	1951	1952
Total Loans Disbursed During Year	3,789	4,369
Total Loans Outstanding at End of Year	4,715	4,840
Total Amount Disbursed During Year	\$2,329,134.39	\$2,993,309.73
Total Amount Outstanding at End of Year	\$1,777,763.75	\$2,160,642.56
Average Amount per Loan Disbursed	\$614.71	\$685.12
Average Amount per Loan Outstanding	\$377.04	\$444.34
Average Number Loans Processed each Working Day	15.34	17.47
Average Number Payments Received During Year	45,240	53,050
Average Number Payments Received per Working Day	183.16	212
Average Maturity of Loans Disbursed During Year	17.3	18.3
<b>Losses for Year Were:</b>		
Accounts	19	8
Amount	\$3,666.99	\$1,135.30
Amount Recovered	\$841.93	\$2,124.15
Net Loss or *Net Recovery	\$3,825.06	*\$988.85
% of Disbursements	164/1000 of 1%	.....
<b>Monthly Delinquency Report Averages:</b>		
Accounts	45.5	61.5
% of Total	1.16%	1.54%
Total Balances	\$13,302.75	\$20,251.63
% of Total	.83%	1.06%

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### EXHIBIT 4

#### MONTHLY DELINQUENT REPORT—REAL ESTATE MORTGAGE LOAN DEPARTMENT—AS OF CLOSE OF BUSINESS APRIL 14, 1953

Note: For the purpose of this report, a real estate mortgage loan is considered "delinquent" when it has one or more monthly instalments 15 days in arrears of payment. Also, in some cases, when tax receipts or insurance policies have not been presented currently.

Name and Address	Unpaid Principal Balance and Appraisal Value	Amount of Monthly Payments	No. of Days in Arrears (or Other Factors)	Comments
1. Wm. Donald Ayres et ux (G. I.) 2045 W. Marshall St.	\$ 7,500.76 (Appraisal \$12,000.00)	\$68.00	15 D	Current notice
2. James R. Boehret (G. I.) 1412 Harding Blvd.	\$ 8,225.43 (Appraisal \$11,400.00)	\$74.00 T I	117 D	Making current payments. Will reset next month.
3. Charles Boyer et ux (G. I.) Walnut Street	\$ 4,447.74 (Appraisal \$ 4,900.00)	\$48.00	15 D	Current notice
* * *	*	*	*	*
14. Stephen E. & Thelma B. Tracy, Jr. (PLIC) Old Arch Road	\$11,208.26 (Appraisal \$19,500.00)	\$92.53	19 D	Current notice
	\$73,193.36			
Total Number of Accounts.....			This Month 450	Last Month 453
In Arrears.....			14	22
Percent of Total Number Accounts.....			3.11%	4.86%
Total Dollar Amount Outstanding.....			\$1,947,158.97	\$1,940,877.93
In Arrears.....			50,599.56	\$7,470.32
Percent of Dollar Amount Outstanding.....			2.60%	4.51%

make it necessary to consider changes, such as alterations, enlargements, or merely the repainting of the banking quarters. While the policy as to the extent the bank will spend money on such things lies with the board of directors, it is management's job to keep the board members informed of all facts so they may make intelligent decisions.

It is the responsibility of the board of directors to formulate the policies of the bank regarding what it will do, how it will do it, what it will charge for the doing of it, and where it will do it. It is management's responsibility to supply the board of directors with adequate information, so that its members may arrive at correct decisions.

## *Directors and the Bank's Profits*

It is readily recognized that a bank is a profit-making corporation. The underlying reason for the formation of the bank and the investment of money in it by the shareholders is the profit motive. It would seem, therefore, that one of the main considerations of the board of directors of a bank would be keeping a close watch upon the earnings of the bank in order to determine whether or not the profit obtained was adequate in view of all circumstances. It follows, then, that one of the responsibilities of management to the board of directors would be to see that complete information is supplied regularly, so the board

might determine whether the policies it has adopted are producing the earnings expected.

Presenting reports of various kinds regarding the earnings of the bank is perhaps one of the most serious of the responsibilities of management. It is not enough merely to report, from time to time, that the bank's net profits from operations have totaled so many dollars. From such a report, the directors are unable to determine the effectiveness of the policies adopted, the efficiency of management, or the adequacy of the results. It is necessary that management devise and present to the directors various

types of reports relative to the bank's earnings. These reports include: (1) a budget; (2) monthly reports of results, with an adequate breakdown of the component parts of the net picture; and (3) annual reports of the earnings figures with comparisons and ratio studies.

The use of a budget in operating any business is like the use of a road map. The compilation of budget figures sets our course for the year in the bank. It points out the easiest way to arrive at our goal and indicates the various road marks we are to observe as we progress toward the end of the year. A check of actual results against the course that we have charted enables us to see clearly whether we are off the route we have chosen. It might be necessary during the year to make changes because of a difference in circumstances at a later time. But, with the budget as a basis, the changes are intelligently decided upon with the net results being obvious rather than being guessed at.

The process of compiling a budget involves the analysis of many elements in the operation of the bank. First of all, in order to determine what income might be available with which to pay inevitable operating expenses, it is necessary to calculate the volume of deposits that can be counted upon during the year. Also, to judge, from past experience and the knowledge of current economics, whether there will be an increase or a decrease of the deposit structure during the year. The next step is to determine how much of those deposits will be invested and in what media of income-producing assets.

### **Investments' Effect**

At this point, it is necessary to have a thorough understanding of the policies determined by the board of directors as to the investment of the bank's funds. Consideration must be given to the available volume of loans, the going interest rate on high-grade investments, and economics and current affairs to determine whether the interest rate might remain at the same level or change upward or downward. Having determined the volume of dollars available for investment and how the funds should be invested, and having made adjustments against the figures to give due con-

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sideration to possibility of achievement, it is a comparatively simple matter to complete the arithmetic of the problem in determining what the gross income will be from interest sources.

A knowledge of the bank's operations makes it very easy to determine what the income of the bank will be from such sources as service charges, safe deposit box rentals, trust department, and other miscellaneous sources. All of this sounds like a formidable task, but, actually, it is not. This process of determining and forecasting income for the bank has been in process in many banks for the past several years, with the budgeted figures being watched by actual performance with a very high degree of accuracy. One precaution to keep in mind is that any variation from a mathematical calculation, when such variation is made on an arbitrary basis, should be on the conservative side.

### Five Expense Categories

The second step in determining the budget is to set forth the expenditure figures that are estimated to be required for the full year's operation. These expenditure figures will fall into five natural categories; i.e., (a) salaries and wages, (b) operating expense, (c) operating taxes, (d) building expense, and (e) interest on deposits. The determination of the salary expense is comparatively easy, but care must be taken to include adequate figures for possible necessary additions to the staff, overtime pay, and, of course, the social security and unemployment taxes which are a part of this particular expense item. It is believed also that director and committee fees should be part of this expense classification.

The operating expenses will include the usual postage, stationery, telephone, and other expenses of running the bank, such as the insurance program, repair and maintenance contracts for office machinery, legal expenses, examining costs, advertising, and other miscellaneous operating expenses. The operating tax expense, of course, includes the taxes paid to local and state authorities and other items which are normally an operating expense, but not including income taxes which, for the purpose of the budget, are considered as division of the final profits.

Building expense includes the cost of all alterations and improvements; janitors' supplies; fire and extended coverage insurance; public liability insurance; real estate taxes; the cost of heat and light; and, of course, the depreciation on the building, furniture, and fixtures.

In preparing these schedules of expenses, it is necessary to enumerate all of the previous year's expenditures. An analysis should be made of all of them to determine if they are justified, reasonable, and of a recurring nature. From such an analysis, and with a knowledge of what the activities of the bank are likely to be in the forthcoming year, it is a comparatively easy task to set down what the expected expenses will be.

From a budget report based upon these factors, the board of directors can determine whether or not the charges being made for the services rendered are sufficient to produce the net income that the board feels is necessary to fulfill the obligation it has to the shareholders of the bank. The directors can determine whether any particular portion of

the proposed budget seems to be out of line in view of the experience of previous years, the existing circumstances, and the plans for the forthcoming year.

### Monthly Data

The second part of keeping the directors informed about earnings is to present monthly figures showing the results of the operations for that month and for the period of the year thus far concluded. Essentially, these figures should be presented under the same captions and in the same order as were the budget figures. The important part of these monthly cumulative reports is a comparison with the budget figures set forth on a pro rata basis. From this kind of report, the directors are able to see readily whether gross earnings are falling behind, staying in line with anticipated results, or are coming in at an accelerated pace.

An analysis of the reason for these variations from budget expectations might lead very easily to reconsideration of certain policies of the bank so that corrective action

## EXHIBIT 5

### EARNINGS AND EXPENSES OF MEMBER BANKS

(All Figures are Percentages)

	This Bank	Comparable Group		This Bank	Comparable Group
Percentage of Total Capital Accounts:			Percentage of U. S. Govt. Securities:		
Net current earnings before income taxes.....			Interest on.....		
Profits before income taxes.....			Percentage of Other Securities:		
Net profits or net loss (-).....			Interest and dividends on.....		
Cash dividends declared.....			Percentage of Total Securities:		
Percentage of Total Assets:			Net recoveries and profits on sales or net charge-offs (-).....		
Total earnings.....			Percentage of Total Loans:		
Net current earnings before income taxes.....			Earnings on loans.....		
Net profits or net loss (-).....			Net recoveries or net losses (-).....		
Percentage of Total Earnings:			Percentage of Total Assets:		
Interest and dividends on:			U. S. Govt. securities.....		
Govt. Securities.....			Other securities.....		
Other Securities.....			Loans.....		
Earnings on loans.....			Cash assets.....		
Service charges on deposits.....			Real estate assets.....		
Trust department earnings.....			Other assets.....		
All other earnings.....			Other Percentages:		
Total earnings.....			Capital accounts to total assets		
Salaries and wages.....			Capital accounts to total assets less cash and Gov'ts.....		
Interest on time deposits.....			Capital accounts to total deposits.....		
Other current expenses.....			Time deposits to total deposits.....		
Total expenses.....			Interest on time deposits to time deposits.....		
Net current earnings before income taxes.....					
Net recoveries and profits on sales or net charge-offs (-).....					
Taxes on net income.....					
Net profits or net loss (-).....					

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could be taken early enough in the year before more serious damage had occurred in the net earning picture. A similar comparison of expenditure figures against budget expectations and an analysis of the reason for any serious deviations would enable appropriate action to be taken at a policy level. What is important in all of this is that corrective action can be determined upon at an early date so that any adverse trend would not be permitted to run a full course.

In addition to supplying the board of directors with a very useful tool for the formulation of policies for the operation of the bank, the budget serves management in very helpful ways. It enables management to make long-range plans. It makes possible the presenting of those long-range plans to the directors when the entire picture is in front of it. Perhaps, a budget's greatest value to management is that it enables management to report to the board, in a factual way, the degree of management's efficiency and its effectiveness in administering the bank's affairs.

### Yardsticks and Ratios

The third phase of management's reports on earnings to the directors is the provision of adequate yardsticks, so that the board may determine whether the budget and actual earnings figures are in line and represent sound proportions and ratios. It is recognized that the use of average figures as a guide can be a dangerous practice. Averages represent the half-way point between the most poorly operated bank and the most efficiently operated one. Such average figures represent the results of policies that are necessary under many and various local conditions. Nevertheless, there is some value in using average figures as yardsticks to determine if the bank in which the directors are interested is out of line in certain regards. An intelligent analysis of the reasons for variations from average figures can readily satisfy any intelligent bank director. Obviously, if the reasons indicate dangerous trends, appropriate actions for change of policies can be made. The following are some of the yardsticks that should be watched:

The bank's capital funds represent the net worth of the business,

and the profits of the business should have some relation to that net worth. Therefore, the report should include figures indicating what percentage of total capital accounts is represented in the net current earnings before income taxes. A less important figure, perhaps, is the percentage of profits, before income taxes, that are a part of total capital accounts. The amount of dividends paid as a percentage of capital accounts is another factor that should be watched. The Federal Reserve banks have these percentage figures on an average bank basis and they will gladly furnish them to individual banks. It is merely a matter of simple arithmetic to work out the bank's own percentages and compare them to these average figures.

### Earnings-Asset Ratio

Another measure of efficiency of operation is the relation of total earnings to the total assets. This is a measure that enables directors to determine the degree of efficiency with which the assets are being used. Here again, comparison of the individual bank's results with those of the average bank will reveal how that bank stacks up. Two figures are perhaps enough to present for this purpose. First, the percentage of gross earnings against total deposits and, second, the net current earnings from operations, before income taxes, against total assets.

### Effect of Policies

A study of the component parts of gross earnings will reveal quite vividly the effect of policies upon the bank's operations. Ratios showing the percent of gross earnings received from interest on Government bonds, other securities, loans, service charges, trust department, and all other sources, with comparison against average figures, will enable the directors to study these sources of earnings and to determine whether or not the policies of investment are producing results that are reasonably in line with those of other banks. Again, a study of the reason for any deviations from average figures should result in serious study of the policies that have caused these deviations.

A similar study of the component parts of the expenses, as compared to averages, enables the directors

to determine whether the budget figures were reasonable and justified.

There are three principal expenditure items that should be considered, and such consideration should be on the basis of what percentage each of these three elements represents as compared to the gross earnings figure. First, salaries and wages; second, interest on time accounts; and third, all other expenses. Here again, it is obvious that a study of the reason for any deviation from average figures will suggest to the board of directors the items of policy which should be considered for a change.

### Evaluating the Yardsticks

There are many other yardsticks that could be presented to the board indicating the results of the individual bank involved, when compared to those of the average bank of similar size and locality. Of course, it should be recognized, as stated earlier, that average figures represent merely a half-way point between the poorest operated and the most efficiently operated bank. But the yardsticks do provide a gauge in order to indicate serious variations. From this point, the value of the yardsticks depends upon the degree of sincerity with which both management and the directors investigate the reason for the variation from the average figures. It could well be, for instance, that a variation indicating that earnings on loans in the one bank showed a larger amount of the income coming from that source than in the average bank. An investigation for the reason for this might reveal that the bank in question is operating a very sizable consumer credit department, which produces interest earnings at a greater rate than in the average bank operation. Having determined the reason, it is then up to the board of directors to determine whether the policy of the bank to seek this type of investment is sound, in keeping with the needs of the community, and the nature of the deposit structure of the bank.

As another illustration, it might be found that the bank is paying a higher percentage of its gross earnings in the form of salaries and wages than is the average bank. An investigation of the reason for this variation might reveal that a



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large consumer credit business required the employment of a larger clerical staff. Or, that the bank might have a policy of providing a pension fund for its employees, the cost of which is included as a salary expense. Having determined the reason for this difference, the board is then faced with the necessity of re-evaluating the policy of the bank in regard to a large clerical staff, or the providing of a pension plan.

Sometimes, of course, the comparisons might reveal a deviation indicating a serious adverse trend. Interest paid on time accounts might be out of line with the average figure, with the net result that operating earnings have suffered thereby. It is then the duty of the board of directors to reconsider the policy regarding the rate of interest paid upon savings accounts and, having taken into consideration the competitive factors, earnings possibilities, and the desired net results, a continuation of the existing policy, or a revamping of it, must be determined upon.

Merely to present such yardsticks of comparison is not enough. The presentation should be accompanied by reports of investigation of

the reasons for any variations. For the most part, it is management's responsibility to dig out these reasons and to present them to the board of directors, pointing out the strong and weak points of the situation and to call upon the board for a decision as to the policy which caused the result.

Exhibit 5 is a suggested schedule of various yardsticks that could be used in presenting earnings figures to the board of directors. This schedule is based upon information regularly provided to all member banks of the Third Federal Reserve District by the Federal Reserve Bank of Philadelphia. In connection with this schedule, the Reserve Bank also provides a schedule of earnings and expenses of all member banks in the Third District, showing a breakdown by various size classifications and by the ratio of time deposits to demand deposits. These schedules provide a very valuable tool of management with which to keep the directors informed on the operating results of the bank.

At the outset of this discussion it was pointed out that, fundamentally, the responsibility of a board of directors is to determine the pol-

icies under which the bank provides banking service to the community. It was further pointed out that one of the major responsibilities of management to the board of directors was to provide adequate reports to the board so that body could determine (1), the adequacy and effectiveness of those policies, (2), have sufficient information upon which to base decisions for the adoption of new policies or the making of changes in existing policies, and (3), so the board of directors might know, with a reasonable degree of assurance, that the members of the board, as individuals, were acting as ordinarily diligent and prudent men. These articles have presented some suggestions to management regarding some reports that could be used to fulfill the responsibility it has to the board of directors. Any management that uses these and other devices in the fulfillment of its responsibility, will be more than adequately compensated, not only in the knowledge of a job well done, but in being associated with a bank that cannot help progressing, because its board of directors knows where it wants to go, where it is going, and how its getting there.

# Maxims and Opportunities

**T**HE wise director must be able to see beyond the profit in an immediate transaction, even beyond the potential profits in possible transactions in immediate circumstances. Because circumstances are changing radically, the necessity for envisaging the future is more pressing now than it has been for two decades.

The suggestions of directors possess greater value today than at any time in the past. The reason lies in the fact that banks are changing. They are doing today things they never would have thought possible a few years ago. Some of their traditional operations are curtailed. Their scope has been widened to take in other fields.

### Getting New Business

Every year the average bank loses from 10 to 15 percent of its accounts.

There are, of course, a variety of reasons. Customers move away, retire, fail, and die. Others shift their accounts to other banks because they have personal friends there, because they can get more liberal credit terms, because of reciprocal business dealings, because pressure has been brought to bear on them, and because they don't like you. This steady loss is inevitable; there is nothing anybody can do to prevent it.

If the bank is to hold its own—to say nothing of going ahead—these departed customers must all be replaced with new ones. Putting it another way, for every eight customers now on the books of the bank, one new customer must be added before a year has gone by, and he must be just as good a customer as the one who has left.

The point of all this is rather ob-

vious. The success of the bank is the responsibility of the directors. Success is dependent upon getting new business. Therefore, getting new business is a responsibility of the directors.

### Men of Experience

The president of a small bank in the Far West has said:

"There is a feeling in some places that it is beneath the dignity of a director to sell the services of the bank. In some banks that I know of the directors pride themselves on the fact that they never ask a man for his account. Our directors don't feel that way. Never a week goes by without several new accounts being brought in by members of the board.

"For the most part, these are accounts that otherwise we probably would not get. Our directors are

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leading men in the community; a suggestion from them carries weight with the businessman to whom they are talking. Moreover they have acquaintances that the rest of us don't have. They know, too, what is going on in particular lines of business, not only here, but in other places. They know things that are going to happen before the rest of us do. They are men of experience, judgment, and vision.

"By and large, the best accounts that we have on our books are the accounts that have been steered here by the directors."

In all cases the responsibility for getting new business stems back to the directors. That responsibility is met by action along either or both of two main lines:

(1) As a board, providing opportunities for new business to be obtained by the officers and staff members.

(2) As individual directors, actively getting new business through their own personal efforts.

The board is doing its full duty only when it goes after all of the business that the bank ought to have. This it cannot do haphazardly. There must be a carefully worked out comprehensive plan based upon present conditions and future probabilities. For such a plan the board needs facts collected and assembled in orderly fashion.

In general, these facts will fall into three categories:

(1) Industrial, economic, and social developments which will provide expanding opportunities for new business.

(2) Present and potential needs of persons and organizations in the community for banking service.

(3) The facilities of the bank to capitalize opportunities and meet present and future needs.

### Assemble Their Knowledge

When it comes to knowledge of their own community, it is surprising how much directors know individually and yet how little they know collectively. Unless they assemble their knowledge, its full value for business-getting purposes cannot be realized. Moreover, there are facts which none of the directors has suspected, and yet which may hold large possibilities.

A general fact-finding survey of the community is in order. It should include such items as the following:

*Size, nature, and capacity of industrial plants, used and unused.*

*Income and consuming power of the community.*

*Amount and kind of labor available, skilled and unskilled.*

*Prevailing rates of wages.*

*Accessibility to sources of fuel, power, and materials.*

*Transportation facilities and accessibility to markets.*

*Location and nature of available land and buildings, used and unused, for both dwelling and industry.*

### Principal Selling Function

The principal function of the directors in the selling effort is one of informing, advising, and directing the active officers and staff members. The president might put it this way:

"Our directors are all engaged in businesses of their own which take up most of their time. We can't expect them to do much trotting around and calling on prospects for the bank. They, however, do give us tremendous help.

"They suggest prospects, they give us helpful information about prospects, they provide us with introductions, and, in some cases, use their influence with the prospect in backing up the representative's effort.

"All of our directors consider it a part of their duty to give such help. It is exactly what they understand by the word *directing*."

### Helping the Trust Department

Some of the most valuable service which directors give to the trust department is given not as a board, but individually. Both in securing trust accounts and in helping to manage them, the help of directors can be highly valuable.

The attitude which any director should take regarding his personal efforts to secure trust accounts depends upon the particular circumstances and his personality. Sometimes he can make an outright recommendation to a prospect; at other times he can state facts which give the prospect a sufficient justification for naming the institution, should he care to do so.

In general, the greatest usefulness of the director in getting new business will be to give advice and assistance to the trust officers. Because of his position in the social and industrial life of the community,

he is possessed of facts which are not known to the trust officer. It should be understood that, in seeking new business, the staff man of the bank should be free to call upon the director for information, direction, and introductions.

### Directors Must Know Their Bank

A director seeking to assist in the new business efforts of his institution should first know "whereof he speaks" in recommending the services of his bank to friends and business associates. He should know its background thoroughly, the history of its growth, and the part it has played in the development and progress of the community or neighborhood. He should make certain that his bank can efficiently meet a prospective customer's needs, and should be frank in stating any limitations as to service or credit demands.

Too often a director does not seek new business for his institution, fearing that in so doing he will be incurring a personal or moral obligation to approve later what the officers and other members of the board might consider an unwarranted demand for service or credit. This fear can easily be obviated if, in negotiating for an account, both director and prospective customer are perfectly frank, each with the other.

New business obtained on any other basis than mutual confidence and understanding, whether through regular channels or through the efforts of directors, is quite apt to result in a later misunderstanding and illwill.

A director, to be of positive value to the new business efforts of his bank, must at all times be an enthusiastic booster, not alone among his intimate business and social acquaintances, but in all of his contacts outside of the bank.

Such enthusiasm, when properly directed, cannot help but find inspiring reflections in the attitude and efforts of other members of the board, and on down through the officers, new business department and personnel.

Directors can be more than just directors. They can be "ambassadors-of-goodwill"—and of incalculable service to any bank, provided they have confidence in, a knowledge of, and enthusiasm for the institution they represent.

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HARRIS & EWING

The President, Vice-president, Cabinet members, and heads of top non-Cabinet agencies recently sat for this formal portrait. Clockwise around the table are: Chief UN Representative Henry Cabot Lodge, Interior Secretary Douglas McKay, Treasury Secretary George M. Humphrey, Vice-president Richard Nixon, Attorney General Herbert Brownell, Commerce Secretary Sinclair Weeks, Welfare Secretary Oveta Culp Hobby, Presidential Assistant Sherman Adams, Budget Director Joseph M. Dodge, Acting Defense Mobilizer Arthur S. Flemming, Labor Secretary Martin P. Durkin, Postmaster General Arthur E. Summerfield, Secretary of State John Foster Dulles, President Dwight D. Eisenhower, Defense Secretary Charles E. Wilson, Agricultural Secretary Ezra Taft Benson, Mutual Security Director Harold E. Stassen. Standing, left to right: Civil Service Chairman Philip Young, and Robert Cutler, Assistant to the President for National Security Matters

## Bills and Hearings

LAWRENCE STAFFORD

ing and Currency Committee of the Senate that it restore the power to curb instalment loans. During those hearings Chairman William McC. Martin of the Federal Reserve Board said that, speaking personally and not as a member of the Board, he believed that the Board should have permanent power to regulate consumer credit, since the prospect was that there would be a defense emergency for many years to come.

Subsequently the Senate Banking Committee voted to give the Federal Reserve Board power to regulate consumer credit even when there was no national emergency.

Shortly thereafter, however, the Committee changed its mind. It amended the pending legislation to provide that the President could invoke consumer and real estate construction credit controls whenever he found the same national emergency which would justify the reimposition of wage, price, and other controls.

Rent control also was sharply reduced in application. By law now in force, all rent controls expire July 31 except in certain rather rigidly defined defense areas.

One significance of this congressional action is that the reimposition of nationwide rent controls probably will not be made possible, in case of a new emergency, as part of a "stand-by" wage and price control bill reported out by Senate committee, should this bill pass.

If the Capehart bill finally passes in the form in which it was reported out, the President, at any time he determined there was an emergency as justified this action, and after consulting a special council which the bill would create for the purpose, could reinvoke wage and price controls. Originally rent controls were included.

Rent controls in effect now have been taken "out from under" the Capehart bill so that, in all likelihood, they cannot be included in the

**D**URING the past few weeks the controls threat has receded somewhat.

An outstanding development was the apparent end of the possibility that consumer credit controls would be reinstated in peacetime — to dampen down in the near future the use of this credit.

As told in **BANKING** last month, the Treasury suggested to the Bank-

"stand-by bill" even if the latter passes.

At writing, the big issue of whether the President shall have the power, whenever there is an inflation flurry or a war scare, to reinstitute the controlled economy remained to be settled.

Representative Jesse P. Wolcott (R., Mich.), chairman of the House Banking and Currency Committee, backed by Senate Majority Leader Taft, was fighting vigorously against the stand-by bill. It was Mr. Wolcott, incidentally, who planned and followed through with the strategy of separating rent controls from the stand-by bill.

This same bill also continues certain powers to operate a defense economy, such as materials controls and the use of V-loans. The latter phases of the bill are not in dispute.

### Consumer Credit Data

Incidentally, the Federal Reserve Board has revised its data on consumer credit from 1939 to date. This revision, the Board said, "has involved an extensive review of the

conceptual framework of the series, as well as the incorporation of additional statistical information which has recently become available."

As a result, outstanding consumer credit has been revised upward by \$191,000,000 as of December 31, 1939, and \$1,732,000,000 as of December 31, 1952.

### Hearings Planned

Although it was anticipated that hearings would be under way (and in one or two cases may already have been held) on certain matters of interest to commercial bankers, prospects for final action on these items could not be assessed until after the Capehart Bill had been disposed of finally. Only then would the Banking Committee have free time to consider these other subjects fully.

It was intended, for instance, that hearings should be held before the Senate Banking Committee on a bill to restrict the Federal Home Loan Bank Board in the chartering of branches of Federal savings and loan associations.

Another subject slated to have

hearings was on the need for further regulation of bank holding companies, to restrict their expansion and their investment in non-bank assets.

A third subject was the future of RFC, or creation of a substitute for the RFC.

As related in the last issue of **BANKING**, there are proposals to terminate RFC prior to its statutory termination June 30, 1954, to create a new proposed "Small Business Administration," to shift the guarantee of small business loans to the Federal Reserve banks, and other proposals.

It is considered likely that the recommendations of the new RFC Administrator may have considerable bearing on this subject of a further need for governmental credit assistance for small business. Kenton R. Cravens, former vice-president of the Mercantile Trust Company, St. Louis, took office a month ago as RFC Administrator, succeeding Harry A. McDonald.

At this writing, it appeared that the Senate, like the House, would pass a bill ending the compulsory furnishing, by all national banks once a year, of lists of their shareholders. This bill also would provide for termination of double liability on the shares of some 25 national banks which had not yet taken action to do so.

### Postal Savings

Hearings were held in April and again last month on a bill offered by Senator Wallace F. Bennett (R., Utah) to liquidate postal savings over a 4-year period. It was understood that hearings were planned in a House committee on a similar bill introduced by Rep. Harold C. Hagen (R., Minn.).

Under the Bennett Bill the postal savings system would stop taking new deposits one year after enactment.

For three years after this closing date, depositors could continue to receive interest. One year thereafter the postal savings system would be transferred to the Treasury for final liquidation of any deposits not returned.

Under questioning by Senator Carlson (R., Kans.), A. J. Robertson, the Assistant Postmaster General, said in his testimony that if the postal savings system were to be liquidated it should be done by the

## HAVE YOU SEEN . . . . .

(1) The two documents which outline the Eisenhower Administration's philosophy that the United States must prepare to arm itself and assist in arming the free world for so long as the Russian threat exists. Write to the White House, Washington 25, D. C., for the President's statement of April 30 to his press and radio conference and for his May 5 message to Congress on foreign aid.

(2) An official explanation for the rise in FHA and VA interest rates. Write to the Administrator, Housing and Home Finance Agency, Washington 25, D. C., for the statement of Administrator Albert M. Cole May 5 before the National Retail Lumber Dealers Association.

(3) A fundamental discussion of the basic situation in agricultural credit. Write to R. L. Farrington, Acting Director of Agricultural Credit Services, U. S. Department of Agriculture, Washington 25, D. C., for his statement April 21, 1953, before the House Committee on Agriculture.

(4) An explanation of the revision of FR consumer credit statistics. This article, "Revision of Consumer Credit Statistics," appears in the April 1953 Federal Reserve *Bulletin*, or a reprint may be obtained by writing to the Board of Governors, Federal Reserve System, Washington 25, D. C.

(5) One of the most literate and condensed statements of the objectives of the flexible credit policy. See in the April 1953 Federal Reserve *Bulletin* the reprint of the speech, "The Transition to Free Markets," by Chairman Martin, or write to the Board of Governors, Washington 25, D. C., for a reprint of this speech.

(6) An analysis of factors making for a gross income rise of 12.3 percent and a rise of 9 percent in net, for all insured commercial banks in 1952 as compared with 1951. Write to the Federal Deposit Insurance Corporation, Washington 25, D. C., for its release of May 11, *Income of Insured Commercial Banks in 1952*.

board of trustees of the system over a long period, at the discretion of the trustees.

Mr. Carlson is chairman of the Senate Post Office Committee, which has jurisdiction. Several members of the subcommittee who sat in on the hearing indicated opposition to the Bennett Bill.

In discussion at the hearing both Senator Carlson and the Post Office Department indicated that there should be authority to levy a service charge on accounts held less than 30 or 60 days, and that perhaps some post offices handling deposits should close out this business where it obviously was not needed.

#### A. W. Sands' Testimony

Testimony in favor of the Bennett Bill was given by Arthur W. Sands as chairman of the A.B.A. Subcommittee on Postal Savings. Mr. Sands is president of the Western State Bank, St. Paul, Minnesota. [See page 101 for further information on Mr. Sands' testimony.]

"The places where these Postal Savings facilities exist also, for the most part, have savings facilities available through banks," Mr. Sands pointed out. From 1947 to 1952, Postal Savings deposits declined \$775,000,000 to \$2,617,000,000, Mr. Sands noted.

Reports of the Postmaster General, he said, "reveal net profits from bond sales for the 6-year period of \$62,055,833, whereas net profits were only \$59,968,730. Had it not been for these bond profits, it is evident the system would have suffered a substantial loss.

"The A.B.A. raises the question whether the Congress should permit the continued operation of a Government agency (1) which no longer serves a needful purpose; (2) which is in direct competition with private industry; (3) which required for the year ended June 30, 1952, more than \$9,400,000 to cover its departmental and field administrative expenses; and (4) which for the last six years would have cost the taxpayers at least \$2,000,000 had there been no profits from bond sales," Mr. Sands declared.

#### FR Branch Building

Upon the expected enactment of the bill requested by the Federal Reserve Board, the System planned to launch a rather extensive branch

(CONTINUED ON PAGE 128)

## Changes at the Eximbank

HERBERT BRATTER

THE President's message of April 30 on the reorganization of the Export-Import Bank was not particularly cheering news to some of that institution's officers. Unless interdicted by the Congress, the change becomes effective June 30. The Bank's functions and over-all resources will not be changed; but the present five-man board of directors—there is one vacancy as we write—will be replaced by a managing director and deputy director, appointed by the President and confirmed by the Senate, and an assistant director from the civil service.

The Secretary of State will, under the plan, cease to be an ex officio member of the Bank's board. Other jobs to be abolished are the directorships now held by the recently appointed Republican chairman, General Glen E. Edgerton; Hawthorne Arey, and Lynn U. Stambaugh. If any of these are appointed managing director and deputy director, they must be confirmed anew.

In the international financial hierarchy of Washington the reorganization will put the \$4.5-billion bank in a clearly subordinate role compared with the past. When the Congress in 1945, following the recommendation of the A.B.A., created the National Advisory Council on International Monetary and Financial Problems (NAC), the Eximbank was given status equal to that of the other NAC members, apart from NAC's chairmanship, which went to the Treasury. Eximbank thus has participated in the formulation of our international financial policies affecting not only that bank but such institutions as the World Fund and World Bank, the MSA, military aid for NATO, and many other subjects. Under the Eisenhower plan, Eximbank will participate as a nonvoting member of NAC only on matters affecting the bank. This of course will make for much less homework for Eximbank officials and their staffs than has been the case up to this year.

Without the Eximbank as a member, the NAC will be somewhat more compact an organization of five instead of six voting members and to that extent a speedier instrument of policy formulation. Up to early May

not one full-dress NAC meeting of members and staffs has been held under the Eisenhower Administration, decisions being made without full physical convocation. And within the Eximbank, without a board, administration will be simplified and strengthened, with some saving in overhead.

A few years ago members of the Hoover Commission divided as to the Eximbank. Five members would have put the Bank in the Treasury; two would have put it in Commerce; and one would not have moved it. The Bank's directors took the latter view, fearing "confusion and interference" if the Bank's independent character were lost. The Eisenhower order subjects the Bank to the orders of the NAC, rather than of one department. After June, NAC's voting members will be the heads of the Treasury (chairman), State, and Commerce departments, the Federal Reserve Board, and the MSA.

Eximbank's reorganization, informed persons say, means no change in basic policies. The ability of the World Bank to lend to member countries is taking some of the load off the Eximbank's shoulders. Increasing interest rates in this country are being reflected in the rates Eximbank charges its borrowers, since Eximbank itself borrows from the Treasury at current rates.

At least as much as in the past, the Eximbank may be expected to be responsive to political considerations in the national interest, to congressional wishes, and to Administration foreign economic policy. In general, the Bank prefers lending for purposes which will generate enough dollar exchange at least to service the loan.

Senators have not concealed their desire that the Bank promote exports. The cotton loans to Spain and Japan this spring enable the Bank to assure Senators that their wishes are not neglected. Cotton hardly generates the dollar exchange suggested by the word "import" in the Bank's title. Nor does the centrifugal state of Republican trade and tariff policy at present facilitate prediction of the guidance and instructions the Bank will be getting from the NAC.



# Bad News for Burglars

BLAKE CLARK

**I**T was two in the morning when the burglar pulled his hat down over his eyes and entered the pitch-dark alley behind a tool-supply company in Youngstown, Ohio. With a cloth-covered brick he smashed a rear window. Then he reached through the jagged opening, turned the latch, and soon was rifling the cash register, feeling cocksure and safe because he had not heard any alarm.

But a few minutes later the beam of a policeman's flashlight blinded him: "You're surrounded. Come out or we'll come in and get you." He came, hands up.

This perfect surprise was made possible because of a half-inch strip of aluminum foil around the window. It carried an electric current which, broken, sounded an alarm, not in the building but in the central station of the American District Telegraph Company several blocks away. Operators there immediately notified police. The burglar was caught red-handed without even knowing he had set off an alarm.

## Widespread Operations

A private company, the ADT is a most efficient auxiliary to the police, the FBI, and other law-enforcement agencies in preventing theft and in apprehending burglars and bandits. The only such firm in the business on a national scale, it has central stations serving some 650 cities. It safeguards 35,000 stores, factories, warehouses, banks, and other customers. In 1952 it helped catch 735 thieves and protected nearly \$18-billion worth of property.

This immense sum does not include money and valuables in bank vaults, the U. S. Treasury, Federal Reserve banks and branches, the U. S. mints, and the bullion deposits at Fort Knox and West Point, all of which are also guarded by this extraordinary firm of silent sleuths. One of its most important jobs is protecting secrets in the Atomic Energy Commission building in Washington, D. C., and at nuclear-

fission plants in various parts of the country.

A seasoned crook, recognizing the protective tape on a window, may search until he finds an opening not so guarded. A professional in New Orleans did this recently, forcing entry through a small side window of an automotive supply company. Safely inside, he spotted a door marked "Private," smashed through with an iron bar and stepped into a room full of valuable parts. While he was deciding what to take, police burst in with drawn guns. The burglar had failed to reckon with one of ADT's most successful traps—a "magic eye." Immediately upon opening the door he had crossed an invisible beam of light across the room to a photoelectric cell. Breaking the unseen ray caused an alarm to sound in the ADT Central Station.

## An Electric Web

This "magic eye" detects more intruders than any other ADT trap. Often installed with mirrors arranged to deflect the beam back and forth across a protected area, it weaves an impenetrable electrical web.

Outdoors, the ray keeps a protective eye on such open areas as metal yards, car lots, and oil and gas storage properties. When a free port was established on Staten Island to hold foreign commodities for reshipment, ADT used the ray to give complete protection from approach by water. The fog-piercing beam extended across the channel entrance for half a mile just above the surface of the water. Any ship or small boat sailing into this cable of light automatically set off a siren.

## A Booby Trap

Another pair one dark night started to force the door to the stockroom on the second floor of a Dubuque, Iowa, furrier. Spotting what looked like a burglar alarm, they snipped the wires. Police came immediately. "Those wires were a

booby trap," a policeman told them. "When you cut them, you sent in the alarm."

The imagination of ADT technicians knows no bounds when it comes to circling a building with an electrical net. They guard doors, transoms, and movable windows with both foil stripping and devices which give an alarm when the unit is opened. They place electrically wired screens over big, permanent windows and also over walls and ceilings. They wire skylights, hide alarm contacts in unexpected places.

## Secret Devices

The majority of city banks are ADT-protected. In all its history the ADT has never had a loss on a protected safe or bank vault. Special secret gadgets which it has developed for tellers have been highly effective. Alarm devices are operated by unobtrusive movements of foot, hand, or elbow while reaching for money demanded or while performing other routine duties.

Robbers who call their own cops get astonishingly swift service. The fastest bank-bandit capture in history occurred on the afternoon of January 30, 1936, when two hold-up men tried to rob the Baltimore Union Trust Company's branch at Pimlico, Maryland. Five minutes before two o'clock closing time the pair placed on the teller's counter a bag containing \$6 in pennies, which they started to count. At two o'clock they had not finished. At the moment the last customer left the bank they whipped out pistols, lined the three bank employees against a wall, and demanded the keys to the grilled gate guarding the vault.

While one stood guard the other went to work on the lock. The moment he touched it, however, he unknowingly set off the remote-control alarm. The call came at 2:13 into the central station, which has a direct wire to police headquarters. Ten seconds later a radio dispatcher alerted Car No. 45. It happened to be cruising past the bank at that very moment. Two patrolmen rushed to the door, and the desperadoes dropped their guns in disgust. That was at 2:15. They had earned themselves a 20-year sentence in two minutes.

A surprising number of smash-grab-run thieves, the swiftest in the

(CONTINUED ON PAGE 118)



# METHODS and IDEAS

*Audit and Control . . . Operations . . . Directors . . . Community Relations  
. . . Advertising*

*This department is edited by JOHN L. COOLEY of BANKING's staff.*

LET'S visit, in print, the 18th Eastern Regional Conference of the National Association of Bank Auditors and Comptrollers held in Baltimore this spring. It was one of several area meetings conducted by NABAC, and the 600-odd bankers gathered in the hospitable old Maryland city heard a practical program on loss prevention, operating procedures, and other subjects related to good bank housekeeping.

After spending a couple of pages at the conference in this department of BANKING, you can take a stretch and then adjourn to other parts of the June issue for further matters developed by the NABACers and their speakers; Methods and Ideas didn't have room for all of them.

## Fundamental Safeguards

FIRST, here's H. Earl Cook,\* recently named chairman of the Federal Deposit Insurance Corporation, commenting on defalcations. He points out that the primary fault in these cases lies not with those who do the misfeasance, but rather with those who permit it to happen. Continuing:

## Directors Must Direct

"It is time for those who claim the title of bank director to start directing. It is time for them to realize that attending a casual meeting irregularly is not enough to justify their title and that such indifference may be enough to jeopardize not only their standing in the community but their pocketbooks. Those are the two factors that got them the jobs in the

first place and they are the two places where it could hurt most if they fail to fulfill their responsibilities."

Mr. Cook finds it significant that of the 19 banks requiring financial aid from FDIC as the result of fidelity losses from 1946 through 1952, all but one had deposits of less than \$3,500,000. He hopes that the gospel of loss prevention will be spread among the smaller institutions: "Not all the technical aspects of protection against fraud—just the fundamentals. Don't prescribe a two-ton vault door in a \$200,000 bank, but at least suggest procedures that can't be cracked with a skeleton key."

## Selling an Audit Program

Two major selling points for use in the campaign among the smaller banks: First, directors and stockholders should protect themselves against personal loss and disgrace; second, a dishonest act in the smallest bank reflects upon the integrity of the largest bank and so breeds distrust of the entire banking structure.

Now, the FDIC isn't convinced

## See These Pages, Too

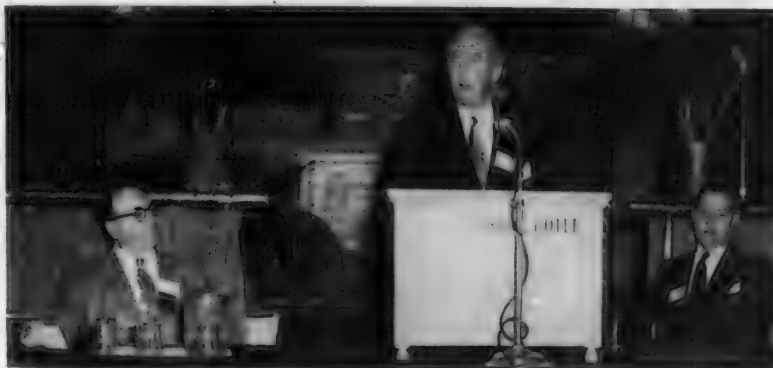
More NABAC conference reports, on audit control of mortgages, savings deposit accounting, and the corporate trust department, appear on pages 106, 123, and 103 of this issue. In "Other Organizations" there's a story on state association activities toward better auditing.

that there's an increasing incidence of defalcations. "We believe," says Mr. Cook, "that better internal controls and improved examination procedures are responsible for turning up many that have been dormant for several years. It's true that the number of cases reported to the U. S. district attorneys has grown from 270 in 1946 to 621 in 1952, but the rate of increase has been slowing rapidly, and we hope to see a sharp decline for 1953."

## These Are Basic

Here are a few fundamental safeguards FDIC hopes will be urged upon the smaller banks:

Opening session, l. to r., G. Roland Price, president, Baltimore Conference of NABAC, vice-president, Randallstown (Md.) Bank; Forbes J. Campbell, special assistant to FDIC board, representing Chairman H. E. Cook; George Ehrhardt, president of NABAC, assistant vice-president, The Hanover Bank, New York



\* In Mr. Cook's absence his remarks were read by Forbes J. Campbell, special assistant to the FDIC board.

First, *compulsory vacations for all employees*. In some cases a defaulter hasn't taken a vacation in years, and has been complimented for devotion to duty! Another safeguard is *rotation of employees*. This is rarely possible in smaller institutions, but adoption of the practice should be urged. Rotation, of course, shouldn't be on a fixed schedule; its value lies in the surprise element.

In all banks there should be *complete separation of the teller and bookkeeping functions*. FDIC has found, even in \$5,000,000 and \$6,000,000 banks, "appalling laxity in observing this basic rule."

Bank examinations aren't and can't be audits. The audit function is the responsibility of the directors. But rarely are they competent enough as accountants to make the necessary audits, so FDIC urges that they provide for adequate audits either through correspondent banks or private CPAs. In many instances smaller banks have grouped together on a county-wide basis to employ auditors for all; this reduces costs to a minimum.

Mr. Cook is convinced that the greatest safeguard against losses is *management's continuing personal interest in employees of the bank*. A bank has no greater liability than a discontented or neglected employee; it could have no more valuable asset than an employee who feels he "belongs" and who knows he has someone to turn to in time of trouble or stress. "The morale situation in a bank should be of continuing concern to senior officers and directors." Adopt an *impartial promotion program*. Another good booster is

*health insurance*. Also, management should know more about the employees, what they think and do. ("One doesn't have to be a pry or a spy to find out these things.")

The staffer must feel he can talk things over with his boss, and expect sound advice and help. "If bank management would take greater pains to cultivate that feeling of security, most of their employee problems would be solved."

## Audit Control of the Bookkeeping Division

HERE'S a man with the story of the audit procedures used in the bookkeeping and transit divisions of Guaranty Trust Company of New York. He's Albert L. Gettman, auditor of that bank. We regret that lack of space permits only a reporting of the bookkeeping half of his talk.

Guaranty operates on the dual posting plan, utilizing bookkeeping machines for ledger and statement postings. The work is centralized at the main office to include three up-town offices.

Checks from the clearing house and items from other departments are processed on proof machines equipped with automatic sorting devices.

At each month-end, says Mr. Gettman, the auditing division proves a portion of the deposit ledgers, so that each of the 32 is selected for proof at least once a year. From an audit point of view such a trial balance or proof is a routine procedure that merely establishes the correctness of the ledger total and should not be considered as evidence that the individual balances are correct.

When proofs are made, overdrafts are inspected for proper approval, and a report is sent to management of overdrafts of \$1,000 or more and those outstanding 30 days or longer.

## Confirmations

Each month-end, requests for confirmation go to the depositors on two or three ledgers, so that all deposit accounts are scheduled for confirmation at least once a year. The account balances are listed on stencilled galley sheets as a record of the confirmations requested. On the confirmation form the depositor is asked to confirm the correctness of the balance shown by the statement and return the form. Signatures are examined, and forms bearing unauthorized signatures are returned.

After sending the usual follow-up letter to dilatory customers, the bank finds that nearly 90 percent of its depositors confirm the correctness of their balances. A careful record is kept of unconfirmed accounts, and a repeat process leaves very few in this category over a period of years.

In connection with the accounts selected for confirmation, the auditing division, as a test, inspects some of the canceled checks and vouchers and compares them with the corresponding debits on the statements, which are then mailed by the auditor.

## Inactive and Dormant Accounts

Each quarter the bookkeeping division reviews all deposit ledgers, and replaces, with a specially colored ledger sheet, the regular sheet for every account that has had no debit during the previous six months. These special "inactive" sheets bear printed instructions to the bookkeeper to have all debit postings initialed for approval by the division head or an assistant. No actual ledger segregation of inactive accounts is made; statements are mailed monthly.

Periodically the auditing division, as a test, inspects selected deposit ledgers to ascertain whether accounts inactive for six months have been properly set up on the special sheet, that debit entries are properly initialed, and that the return of any accounts to active status is warranted by activity and has been approved.

When a deposit account is actually dormant it is transferred to the



The First National Bank of Chicago recently featured a lobby display of a Canadian Pacific Jet Comet Empress airliner. The model, cut away on one side, has a 7-foot wing spread. It revolved on a turntable, giving viewers inside and outside a complete picture

"suspended ledger" which is separately controlled on the general ledger. An account may be considered dormant under any of these circumstances: statements are requested by the depositor at less than monthly frequency; deceased accounts; inability to locate the depositor; long inactivity.

### Other Procedures

The auditing division receives new account reports directly from the officers who open them, and then sees that an address stencil is set up for each.

The stencil division, operating independently, notifies the auditor of all closed accounts; this notice is followed by a request to the customer for a confirmation.

All address changes must bear the approval of authorized individuals.

(In some smaller banks these control features may not be available, but the auditor, Mr. Gettman asserts, should nevertheless guard against the improper closing of deposit accounts.)

Periodically the auditor reviews the record kept by the bookkeeping division of ledger assignments so as to determine whether any two machine operators are assigned as a team to the same ledger and statement unit for more than two months.

### Fixed Asset Inventory

IN this period of high costs, bankers must be concerned with the measurement and proper portrayal of fixed charges and expenses in relation to current property values, Clarence Crocheron, vice-president of the American Appraisal Company, reminds the conference. It's a safe bet that bank buildings and equipment are under-insured today.

The first requisite to an authoritative property record is an accurate inventory of all fixed assets. The bank building should be adequately described according to structural divisions. The inventory of furniture and fixtures will probably resurrect capital items lost from the accountant's record and automatically eliminate property abandoned through sale or discard. If non-existent property appears on the books, accounting adjustments should be made to remove such costs from both the fixed asset and depreciation reserve accounts. Property to be discarded should be similarly treated.

The inventory provides a good opportunity for management to clear out unused equipment and to call attention to possible replacement of obsolete pieces.

All items of equipment and fixtures should be described for identification, and movable items classified according to location. Assuming that the record is for accounting and income tax usage, it's desirable that actual costs be obtained.

### Record Protection

THE first step in protecting records against hidden fire hazards is to evaluate them as vital, valuable, important, or useful, says A. R. Hedeman, vice-president of the Shaw-Walker Company.

Under "vital" are such items as: general ledgers and subledgers, commercial bookkeeping ledgers and customers' checks, mortgage ledger records and documents, corporate minutes, consumer loan collateral records, stock transfer ledgers, personal trust ledgers and documents, thrift account ledgers.

"Valuable" items include: resolutions, bond redemption records, signature and index cards, certain safe deposit boxholders' records.

"Important": tax receipts, proof sheets, credit files.

"Useful": correspondence, travelers check records, central information file, business development files.

A few suggestions: If vaults are in the basement, be sure there's adequate drainage. Investigate your fire potential, and hazards outside the bank building, including nearby premises. Check the combustible

contents of the bank, and the intensifier elements. Are all your vault doors insulated? Beware of safes made before 1917. Check the location of your record protective equipment. (What about the water hazard?) Don't trust your microfilm to ordinary protection suitable for papers. Provide point of use protection for all important records.

### Confidence Reserves

BANKS must continue to build reserves of public confidence through planned, continuous public relations programs. This is the message of William H. Neal, senior vice-president of the Wachovia Bank and Trust Company, Winston-Salem, North Carolina.

An adequate PR setup has five parts: customer relations, community relations, advertising, publicity, and business development (merchandising and selling).

Recalling the "tremendous gains" made by bank management in improved operations, services, and public esteem during the last 20 years, Mr. Neal adds:

"It would be fatal if complacency crept upon us and we allowed ourselves to think the job has been completed. Building public confidence and understanding is a task that is never finished."

### Lobby Displays That Are Different

THE SOCIETY FOR SAVINGS of Hartford, Connecticut, has a main office lobby display program that is attracting wide attention and (CONTINUED ON PAGE 111)

The spring display in the lobby of the Society for Savings, Hartford, had a background of pine, fir, rhododendron, and hawthorn. At the base of the limestone waterfall were bluets, cowslips, ferns, etc. In the pool were goldfish, tadpoles, and a turtle



# How to Keep a Conference on the Beam

By DONALD A. LAIRD  
and DICK ERICSON

A conference without a leader is like a ship without a helmsman—it's apt to wander all over the ocean. Keeping the discussion "on course" is not always easy, but a knowledge of "weather hazards" and a few steering tricks to combat them can be of great help.



"I just thought of something else, again . . ." MR. TALK-TOO-OFTEN . . . periodically shakes wind from sails. It's a good idea to ask him to serve as secretary of the session, so he will be busy writing.



". . . and, uh, if you, er, want to try the, uh, whatchamacallit, or er maybe that isn't er, uh, or maybe it even is, or, er, . . ." MR. VAGUE-AND-RAMBLING . . . doesn't generate enough wind in any one direction. Help him out by saying, "Isn't this what you have in mind," and then state it yourself in a few words. Be sure to thank him.



". . . and now for my eighty-ninth point I'd like to emphasize, etc." MR. LONG-WINDED never learns that enough is enough. Say, "Let's take up one point at a time." Then summarize one pertinent point, thank him for it and he's finished.



"I was just thinking that once we get this thing worked out we're going to have a problem with you know who. Well, I said to him, etc." MR. GET-OFF-THE-TOPIC . . . swings merrily down any attractive "sea lane." Stop him with, "You're getting ahead of us—that comes up later, but I'm glad you're thinking ahead."





"... so I says, 'That was no lady, that was my wifel' yak, yak, yak, yak, yak, yak." MR. COMEDIAN... thunder and lightning! Say "There's an idea in that." Then ask him to elaborate on the serious side of it.



"MR. WISE-CRACK... jolts us off course with unexpected waves. A little is desirable, but just a little. As with Mr. Comedian, ask him to elaborate on the serious side of it.



"Psst... don't you think we should have decided on a budget before, etc." MR. WHISPERER... snags the rudder when you try to switch to another subject while some still want to talk about the first. Also, he's on board when the "crew" is too large. Say, "Shouldn't we all be in on the point you're making?"



"You did!" "I didn't!" "You could have!" "I could not!" "You would have!" "I would not!" HURRICANE, TEMPEST, BIG-STORM! Good idea to change course slightly until you've maneuvered around the trouble.



Dick  
ERLSON

"... MR. STILL-WATER usually runs deep. Timid or hesitant members are serious thinkers as a rule, and can add much to the meeting. Gradually draw them out by asking, "Do you agree with him, Mr. Brown?" Get a steady breeze from this quarter and the ship is sure to stay "on course."

## MURRAY OLYPHANT

Tremendous oversubscription for a cash offering is not now as desirable as sound placement. The opportunity was presented to devise a new set of rules more in accord with the present objective of the Treasury, i.e., to place long-term bonds in the hands of permanent investors outside of the banking system. Had this been done it is at least conceivable that the action of the market would have been less perturbed.

### New High Cost for Treasury Bills

During April, money remained extremely tight. Loans failed to show any declining tendency. Member banks continued to report average borrowings for weekly periods from the Federal Reserve banks in excess of \$1-billion.

Starting the process of obtaining another \$1-billion before June 30 through the sale of Treasury bills, the Treasury on April 20 sold \$100,000,000 more than were maturing on the 23rd. The average cost was 2.32 percent. Two weeks later the extra amount was \$200,000,000 and the average cost 2.352 percent. An extra amount of \$200-million was expected for May 21 and 28, and June 4.

With no prospect for easier money, and some belief that corporations might need to borrow more in June than in March for tax payments, guesses were rife that the cost of bills to the Treasury might rise to 2½ percent or more before the program was completed.

### More New Financing May Be Needed

The continued failure of budgetary receipts to equal forecasts, with the continuing rise in expenditures, raises the question as to whether the contemplated \$2-billion received from the 3¼ percent bond and the additional amount of Treasury bills will be enough to keep the general fund of the Treasury at the level desired on June 30. For April the budget deficit was over \$3,500,000,000 compared with about \$1,700,000,000 for the same month last year. On April 30 the balance in the general fund was \$3,582,000,000. This is a working balance of only about \$2,500,000,000 after allowance for about \$1-billion on nonmonetized gold. Payment for the new bonds on May 1 raised the balance by about \$1-billion, but last year the deficit for May was \$1,850,000,000 and this year may be considerably more.

### Refinancing a Problem

Nearly \$5-billion of 1⅞ percent certificates mature on June 15 and \$725,000,000 of 2 percent bonds have been called for payment on the same date. Earlier guesses had been that the refunding offer would include a maturity of about one year, together with an intermediate term bond. With the decline in prices and the rise in yields which has taken place, a 3 percent coupon would seem to be needed for a bond with a maturity of much over five years. Today the 2½ percent bonds due on March 15, 1958, show a yield of 2.80 percent. The present likelihood seems to indicate that the entire refunding will have to be within the 1-year maturity range. Even here a 2½ percent coupon might be needed to assure that the exchange offer would be accepted and cash attrition avoided.

Between March 25 and April 29 the reporting member banks reduced their holdings of Government securities by over \$1,400,000,000. Treasury bills ac-

(CONTINUED ON PAGE 86)

## Investment Markets

H. EUGENE DICKHUTH

INVESTMENT demand for municipal and corporate securities remained satisfactory in April and the early part of May, although some issues sold better than others which were sticky.

In other words, the response from private and institutional quarters was selective, which was not surprising in face of the chain reaction caused by the issuance of Treasury 3¼ percent bonds.

The equity markets were disturbed as well. The average price of all stock issues listed on the New York Stock Exchange was \$41.94 on March 31, the lowest since October 31, when it was \$40.44, and it declined further in April.

Stock trading dropped from the preceding month, March, but was the largest for any April in three years. Sales were above the million share mark in every session. The turnover for the month was 34,370,286 shares, compared with 42,472,257 in March and 28,962,930 in April 1952.

All investment markets being interrelated, there is, naturally, a relationship between the average dividend from listed common stocks and the yields on fixed income securities, such as debentures, preferred stocks, and bonds. With tax rates at their present high levels, tax-exempts deserve a special place for consideration in this over-all picture.

BOND trading increased moderately last month over March and it was much larger than in April 1952, and bond retirements in April were the highest in three months.

April flotations of new issues, generally speaking, were below 1952 levels. Both bond and stock financing declined below figures of a year ago.

In fact, stock issues were at the lowest dollar amount since December, amounting to only \$40,886,000 for 14 issues in April, against \$87,609,000 for an equal number of flotations in March and \$102,338,000 for 23 issues in April 1952.

Public utility equity issues led the parade with \$31,575,000 in April, compared with \$69,336,000 in April 1952. Industrial stocks accounted for \$9,311,000, against \$21,527,000 in the like 1952 month.

Bonds publicly offered in April aggregated \$697,369,000 for 77 issues, compared with \$588,337,000 for 92 issues in the preceding month and with \$1,051,520,000 in April 1952.

A feature of the bond financing was the marketing of \$200,000,000 of Allied Chemical and Dye Corporation 3½ percent debentures, due in 1978, which were offered by a syndicate of 235 underwriters. It was the largest individual issue of new private capital obligations ever offered publicly in the United States.

During the first four months of the year, \$2,600,353,000 covering 357 bond issues were marketed. This compares with \$2,524,371,000 for 302 flotations in the corresponding period of 1952. The offerings were the largest for any similar period since 1926.

New stock financing in the first four months totaled \$288,029,000 for 52 issues, against \$404,612,000 for 66 flotations in the same period of 1952 and \$212,644,000 for 45 issues in the 1951 four months.

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# THE FAMILY DOLLAR

EARL S. MacNEILL

Vice-president, Irving Trust Company, New York

## Factors in Estate Planning: THE LAW

**A**MONG the Plains Indians, the anthropologist E. Adamson Hoebel reports, when a man died his possessions passed to his widow who, in turn, was obliged to pass some of them on to her husband's friends and relatives—"especially to nonrelatives, who hung around as enthusiastic mourners; they mourned and mourned until they were given sufficient gifts to stop them. . . . A family that went the whole way in mourning made itself destitute, until in due time friends and relatives re-outfitted them with gifts."

Such was Comanche law. We later Americans derived the most of our law from the tribes of the Angles, Jutes, and Saxons, whose customs (with some ingredients from Celts, Romans, and Normans) over the centuries jelled into that juridic masterpiece, the English Common Law. It was—and is—a system of law with profound respect for property and the rights of individuals to own, manage, and transfer their property—even to control its fate after they have died, but not unreasonably.

Estate planning, then, is an undertaking that can be pursued with quite reasonable certainty, so far as the law is concerned, for its fundamentals have been settled for generations.

### Two Fundamental Rights

First fundamental is the right to "devise" or "bequeath." The first quoted word has to do with land; the second with all forms of property that are not land—the English were very fussy about distinctions such as this. One could bequeath—let's concentrate on that word—by executing a will. All kinds of precautions were set up around wills. For, after all, the man who signed the will would not be available when necessary to defend its validity or explain its terms. People who become impatient with the technical requirements that attend the execution of wills should be persuaded to understand that the requirements are protective; they are designed to safeguard and foster the great right to bequeath.

There is a second right that is closely allied to the first: the right to direct who shall administer

the estate. Some of our states seek to limit this right, such as by prohibiting the appointment of banks or trust companies having their home offices in other states. State laws generally disqualify minors and idiots also. But, by and large, an individual has the right to choose his own executor.

### The Will the Law Writes

The law is paternalistic, also—takes care of the thoughtless one who makes no will and appoints no executor. The truth is that every man leaves a will, regardless of whether he has dictated its terms and signed his name at the end. The law has written a substitute will for him if he has failed to write his own. This substitute is called the law of *intestacy*. Statutes governing intestacy vary in the states but tend to follow this pattern: If there is a widow (or surviving husband) she will be given a third if there are children. The residue is divided among the children. What of a single child? In New York, one child will take as much as many children would: two-thirds to the widow's third. In some states a single child will get but half. No surviving spouse—then all to children. No children, but a surviving spouse: In New Jersey, for example, the spouse would take all; in New York the spouse would take \$5,000 and half the balance if there were surviving parents, who would take the rest; \$10,000 and half the balance if there were no parents but brothers, sisters, nephews, and nieces. So it goes; and a lot depends on what side of a state line you live. Also the law states an order of preference among whom "administrators" of an estate may be appointed by the court if no appointment is made by will: relatives in specified sequences come first, usually, then creditors and finally a public administrator.

There are laws, as has been mentioned, that limit the right to control the fate of property. Thus, the law has created the concept of the *trust*, but it has set up regulations so that the trust concept may not be abused.

The trust is one of the masterpieces of English law. To trace its origins is fascinating, but an

entire issue of BANKING could not tell the whole story. Eventually the doctrine developed that one person could own the *legal* title to property for the benefit of another, who was regarded as the *equitable* owner; and a great body of law grew which defined the powers and liabilities of the legal owner, or trustee, and the rights of the equitable owner, or beneficiary. Commonest form of trust, probably, is that which holds investments for a widow, who receives the income; and perhaps after her death the children will receive the income also; but eventually the principal will be distributed. Thus there are two kinds of beneficiaries: those who receive the income, called frequently "life beneficiaries," and the ultimate distributees, to whom is attached the legal tag of "remaindermen."

Lawmakers long have feared that, if property were piled up in trust endlessly, everything finally would be in trust and the economy would be stagnant. So the duration of trusts is everywhere limited. In most of the states, the limitation is "lives in being" (that is, they must be living at the time the trust is created) plus an additional period of 21 years and 9 months; the number of lives is limited only by practicality. New York has a tighter restriction: two lives in being and an actual minority—that is, until some specified "infant" becomes of legal age.

So, trusts may not last forever, save for charities—religious, charitable, educational, scientific, and similar public purposes. Usually there's a statutory exception permitting perpetual trusts for charities. It must be admitted that these have not

been put to the ultimate test; no one has found out as yet how long forever is.

There's another kind of limitation on the right to dispose of property by will. In New York, for example, a surviving spouse is entitled—whatever the will says—to so much of the deceased spouse's estate as the survivor would have received under the intestacy statute if there had been no will. There are finer points, but that's the essence of the New York rule, which is one of the more modern ones. Some states still follow old common law rules that deal with "dower" and "curtesy"—quaint property rights quite too complex for quick description and, incidentally, too insubstantial easily to serve any very useful purpose under modern conditions.

### The Law Is the Framework

These are some of the highlights, told in one long breath, so to speak. But these and other basic rules and all of their ramifications must be known to the estate planner, or, to be more precise, to that member of the estate planning team who is the estate owner's lawyer. The law is the framework upon which all plans must be built. It is, in the main, a flexible framework; it gives and will absorb jars; it may be curved and adjusted. But it may never be broken, lest the plan be broken with it.

No error more far-reaching in its potentialities of disaster can be made than to plan for the disposition of one's estate without competent, *professional* legal advice.

## On the Unwisdom of Codicils

THERE'S a fabulous island off the eastern end of Long Island in New York State. Lion Gardiner bought it from the Montauk Indians in 1636 and it has stayed in the family ever since—probably the longest uninterrupted family tenure in our history. Wooded, ringed by clean and lonely beaches, its 3,300 acres virtually unpopulated, Gardiner's Island long has intrigued the imagination of gazers from nearby Suburbia.

Recently Sara Diodati Gardiner, last owner of the Island, died. Wealthy and generous, she bequeathed—to a total of over \$300,000—legacies to relatives, friends, servants, and charitable organizations in amounts ranging from \$5,000 to \$50,000. To a lifelong female companion she left \$150,000 outright and the income of a \$200,000 trust, the principal of which would be added eventually to trusts for a niece and nephew. Her home in East Hampton was devised to the village for public use and a \$40,000 trust fund was provided for its maintenance. With comment that substantial property already had been given to the nephew, \$100,000 was

bequeathed to the niece, and \$50,000 was given to the niece's husband. All the residue, except the island, was placed in trust for the niece and nephew, with principal to their issue on their death.

The island was specially treated. It was placed in a separate trust—for the same niece and nephew, and eventually to their issue. But if they leave no issue, Gardiner's Island will go to Yale University. Meanwhile the executors are directed to turn over to the trustees of this particular trust such an amount as they believe will yield a sufficient amount to "carry" the island and its few buildings—for taxes, insurance, repairs, and the wages of a caretaker. Any surplus income is to go to the niece and nephew; any overage of expenses is to be paid out of principal. In the event the niece and nephew do not wish to occupy the island, the trustees may sell it, guided by suggestions Miss Gardiner made in a letter found with a codicil to her will.

For, as it happened, these provisions relating to Gardiner's Island were contained not in the basic  
(CONTINUED ON PAGE 68)



# The First National Bank of Chicago

Statement of Condition April 20, 1953

ASSETS	
Cash and Due from Banks . . . . .	\$ 606,468,153.44
United States Government Obligations . . . . .	659,726,866.97
Other Bonds and Securities . . . . .	147,059,083.48
Loans and Discounts . . . . .	1,170,290,601.45
Real Estate (Bank Buildings and Adjacent Property) . . . . .	2,004,545.54
Federal Reserve Bank Stock . . . . .	5,400,000.00
Customers' Liability Account of Acceptances . . . . .	2,188,570.85
Interest Earned, not Collected . . . . .	6,195,136.05
Other Assets . . . . .	1,702,662.69
	<u>\$2,601,035,620.47</u>

LIABILITIES	
Capital Stock . . . . .	90,000,000.00
Surplus . . . . .	90,000,000.00
Other Undivided Profits . . . . .	6,057,658.69
Discount Collected, but not Earned . . . . .	2,582,469.01
Dividends Declared, but Unpaid . . . . .	1,800,000.00
Reserve for Taxes, etc. . . . .	28,672,679.66
Bills Payable . . . . .	13,000,000.00
Liability Account of Acceptances . . . . .	2,581,827.77
Time Deposits . . . . .	\$ 498,446,995.38
Demand Deposits . . . . .	1,718,684,099.97
Deposits of Public Funds . . . . .	149,209,889.99
	<u>2,366,340,985.34</u>
	<u>\$2,601,035,620.47</u>

United States Government obligations carried at \$203,846,032.49 are pledged to secure United States Government and other public deposits, trust deposits, and for other purposes as required or permitted by law.

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MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

At your service—at the nation's trade center

## The First National Bank



## of Chicago



(CONTINUED FROM PAGE 66)

will but in a supplementary codicil. And here is an example of one of the disadvantages of codicils:

**I**N her will, Miss Gardiner had made a number of legacies to servants. Two servants had left her employ and in the codicil which disposed of Gardiner's Island she revoked their legacies. Because legal rights had accrued to them under the will, they were entitled to the opportunity, under the law, to appear in court and file such objections to the codicil as they might deem valid. Probably their objections would be futile to such a sensible and

well drawn document but the point is that they had to be given due notice of the application for probate. Unfortunately the two servants had disappeared. The executors were unable to locate them, so meanwhile probate of the codicil was held up. Eventually "due process" can be obtained by recurrent publication of notice in the manner prescribed by statute, but meanwhile needless expense and delay are incurred. It would have been far cheaper and more convenient in the long run if Miss Gardiner had caused a new will to be written instead of saying something like, "Just write me a short codicil!"

## Tax Hint-of-the-Month: A Fallacy Exposed

**I**N earlier issues, the virtues of life insurance have been described, among which is freedom from income tax of proceeds payable in instalments to the beneficiary. Partisanship, therefore, can hardly be charged if attention is focused for a brief space on a certain overreaching of claims by some salesmen of insurance who utilize the "estate planning" approach.

This kind of an example is cited from time to time in the literature of insurance planners:

Suppose a husband dies leaving a net estate of \$300,000. Of this, \$100,000 is life insurance. Out of the balance, consisting of cash and securities, \$100,000 is left by will to the widow outright and \$100,000 is set up in a trust, which is permitted to accumulate its income for 20 years.

Stop here just a moment. In some states, including New York, accumulation of income is not permitted in trusts where the income beneficiary is over 21 years of age. The income has to be paid out currently. So the example is not workable in all states.

The \$100,000 received by the widow, to come back to the example, is invested at an average income of 3 percent, or \$3,000 annually. The life insurance is payable in instalments of \$6,324 per year for 20 years. By the end of this 20 years, \$126,480 will have been paid out; this is possible because interest at the rate of 2½ percent annually has been compounded by the insurance company on the undistributed proceeds—it isn't precisely that, technically, but such is the practical result. However, none of this interest-equivalent is taxable to the widow. She enjoys a total "income" of \$9,324 a year and only \$3,000 of it is taxable—the income from her invested \$100,000.

It must not be overlooked that most of the \$6,324 insurance "income" is not income at all but a piece of the principal of the insurance proceeds paid out to the widow annually. Eventually it is exhausted.

In 20 years the insurance proceeds will have been used up.

Here's where the \$100,000 trust comes in. Its income, the example states, is at the rate of 3½ percent; in 20 years, it is said, the fund with the interest added will have doubled. So the widow will have a brand new \$100,000 to start all over with—to invest or to purchase an annuity.

I've seen this \$100,000 doubling itself at 3½ percent so often that I fell to pondering the figures.

**I**T seemed time for some pencilwork. One of my associates, more patient than I, figured it out. He started with a \$100,000 trust, took income at \$3,500; paid a Federal income tax of \$788 the first year; added the balance of \$2,712 to the principal; took 3½ percent of the new total; paid \$812 income taxes on that—carried the calculation along for 20 years. After 20 years the fund had earned in total \$91,161; had paid \$21,469 in income taxes and had \$169,692 left. Over \$30,000 short of the promised additional \$100,000! (Include state and local income taxes, if any, and the total would be considerably less.)

Truth is, our widow in the example could have been left a trust fund of \$300,000 (including the insurance proceeds) which, netting the not so difficult rate of 4 percent after trustee's commissions, would pay her a gross income of \$12,000. After Federal taxes, assuming the standard deduction and that she is under 65 with no dependents, she would have a net income of \$8,876. The \$9,324 partially taxable income of the example would net her \$8,850. Moreover, after 20 years, if all were in trust, she would have her \$300,000 intact—assuming management sufficiently prudent to save her capital whole—and not the \$269,692 that the insurance planners' example, as corrected, would promise. This would be accomplished not by running in jittery fear from taxes but by taking them in stride.

# The A.I.B. Abroad

YOU'LL smile as you read this story. Some of the people in it — foreign students of the American Institute of Banking — write rather picturesque English.

But behind the awkward rhetoric, unorthodox spelling, and homemade grammar in their letters to the national office, you'll quickly detect the bond between these folks and the 46,000 A.I.Bers taking courses in the United States: eagerness to learn. You won't smile at that. Maybe you'll wish you had half the ambition of certain persons in, say, the Philippines or Thailand.

A.I.B.'s correspondence section now has on its rolls about 60 men and women living in 17 foreign lands and in four American territories and possessions. The roll call of countries is impressive:

Thailand, Brazil, Cuba, Burma, Venezuela, Surinam, Japan, Colombia, Germany, Honduras, Mexico, Aruba, Salvador, Panama, Uruguay, Canada, and the Philippines. There are also A.I.Bers in Puerto Rico, Hawaii, Alaska, and the Canal Zone.

Some have jobs in American bank branches, but the majority are foreign nationals working in local banks. All would probably agree that a Cuban student spoke for them when he wrote Institute headquarters:

"My aspirations are very high and I think you can help me to get my principal ideals."

These students know English; that's necessary because they use the regular A.I.B. textbooks and their lesson papers must be prepared in English. Nevertheless, the language problem must, in many cases, be formidable. (Just try some technical studies in Spanish, German, Portuguese, or Siamese, and see how you make out!) The question of allowing "foreigners" to write the lessons in their native languages has been considered by the Institute, but a change in the procedure seems unlikely. Training in written English is considered a valuable part of the educational program.

The students hold a wide variety of jobs. One is a municipal treasurer in a Central American city. Another is secretary of his country's banking commission.

The A.I.B.'s only contacts with its foreign membership are letters—letters applying for admission to the study courses, asking questions, explaining why a lesson has been long delayed. Some of this correspondence is in model English. Some isn't—unless it could be called Model T.

From the latter category BANKING selected a random assortment of letters, not to amuse you but to emphasize the difficulties these students must overcome.

## "Her Majesty, the A.I.B."

Here's one by a young Filipino:

"The undersigned has the honor to inquire from your good office, re the study of Banking, all the prerequisites in fees, qualification of the student before he is entitled to be enrolled as one of your student in American Institute of Banking.

"Is there some possibilities for the student, who want to study such kind of course through correspondence, such as me, where this present good course is being preach. As per your latest issue, to Her Majesty, the American Institute of Banking, I highly appreciate your report with the word of inspiration. That why I send you this inquiry and I just want you to know that I have great interest to this course, if ever you'll admit and enroll me."

Not too clear in spots; but let's put this fellow down as a chap who wants to go places and probably will.

"Why couldn't you people have built your bank a little farther out?"



A Cuban student writes this letter:

"As soon as I knew of the great labor that the American Institute of Banking realizes, upon my mind started the wish to take courses. First, because your nation is the leader of the bank sciences in our days, and then because your institution is the specific medium for study this matters.

"The purpose of this letter is to know, if it is possible to a person who lives abroad to take your courses.

"I'll be grateful if you inform me all the details of the courses and the things that I have to do to take a course by correspondence."

## Study Time Limited; Interruptions Unlimited

This letter, from the same country, sets forth some rather serious obstacles:

"I have had quite a difficult time with the first two chapters of the above captioned book [*Fundamentals of Banking*]; it may be due to my lack of experience in the banking business as I have not even had one year's experience in this field. I had the necessity of reading the lesson about six times in order to absorb what I have put down in writing Exercise I.

"The reason for not sending the first assignment at an earlier date was due to the above mentioned reason and also because I have a great deal of work at the bank and I am getting home quite late at night. Therefore, my time for study is limited and I have an unlimited amount of interruptions during my study period because I have little sisters that cause me to take my mind off my studies.

"I shall continue to put all my effort in this course and if I have not done well in this lesson, I hope that I will improve in due time, becoming more familiar with the procedure of study.

"Any comments and advice that you can give will be appreciated and as you know I am hoping for better things to come."

A Brazilian, obviously the owner of a good English vocabulary, wrote: "I have sent you my 13th assignment, and I am preparing the last

one, which will be sent you soon.

"I hope you will appreciate my efforts in accomplishing the course in a foreign language and excuse my deficiencies, which are increased by this circumstance.

"I thank you for your kindness in granting me two extensions that permitted me to have enough time to answer the questions."

A Colombian, who has "read all the catalog and specially programs and activities," adds: "I think to make all the pre-Standard courses beginning with Fundamentals of Banking."

## Observations from Thailand

From an apologetic Thailander: "I am very sorry for the very long silence. Unfortunately I was realized when I came back home and began to read your books that the Commercial and Banking laws in the States were very much different from ours. So I was afraid Negotiable Instruments course would be very little use for me for I would have no chance to make use of it at all.

"I am wondering if I could change my subject. I believe 'economic' might be more interesting."

A particularly polite Thailander asked permission to introduce himself as "one of the local Siam bank staff, and certainly very interested in studying of banking system."

## Salesman

An appreciative Cuban sought to show his gratitude to A.I.B. by recruiting students, but apparently ran into difficulties, for he reported:

"My efforts in the direction of organizing a Study Group here in my city have been dropped in a certain way, but I have kept on bringing to the attention of the personnel in my bank the benefits that can be derived from A.I.B."

In another letter he said: "I have noticed Institute's interest in increasing its class enrolments. I do wish to cooperate, but it is to be borne in mind that it is somewhat hard for most of Cuban bank employees to take your courses because of two reasons, which are the language and the differences between your and our law. However, I will endeavor to have at least one man or girl in each of the branch offices of my bank enrolled in your course. I hope that after that the rest of the personnel will have a chance to get self-interested in the matter."

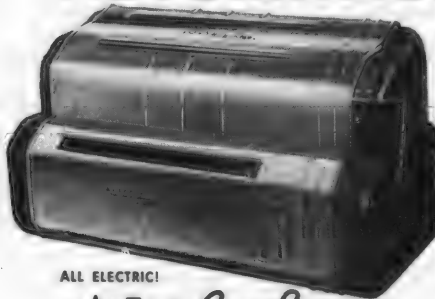
Has it occurred to you, in reading these letters, that the A.I.B. is doing an extracurricular international relations job, along with its other work?

J. L. C.

"I want it in 5's and 10's—and stop calling me 'Sir'!"



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# Read the

# good news!



**Read how banks help develop new wonder drugs that fight fever**

**H**AVE YOU had pneumonia recently? Have you seen the mercury streak up to 104 and then, a few hours later, ebb back to a normal 98.6?

If so, you've blessed the anti-biotic family, the doctors and the other men who have made these wonder drugs possible. Perhaps you didn't know it, but you've had a hand in their discovery, too. You and your bank.

### Dollars at work

One of the dollars you deposited in your bank last pay-day may be at work right now—helping to produce an even more potent fever-fighter. Or it may be on the war-path against tuberculosis, cancer, polio, heart disease.

Consider the vast sums of money that are needed to fill all the bottles on all the shelves of America's hospitals and its 50,000 drugstores, and you'll understand how vital bank assistance is to the drug industry.

### Medicine money

Start with the manufacturer. Mr. Big or Mr. Small, both have payrolls to meet, expensive equipment to maintain—still, vats, pipes and more pipes. It's a good bet that money from the bank helped them build and grow.

Then there's Research, the doors that click open to new medical frontiers. Bank loans help produce and mass-produce the great discoveries, making them available to all.

Enter the wholesaler. He needs help from the bank, too, to replenish his inventories and keep the corner druggist freshly supplied. From microbe hunt to filled prescription, a bank has usually "gone along" every step of the way.

Right this moment there are 172 billion dollars on deposit in the commercial banks of this nation. Your deposits. Your dollars. Money that's mostly on call, ready to serve every important industry. You may be sure that the dollars that answer that call are helping to build a healthier, sounder, stronger America.

Chase National Bank is proud of the part it is playing in American progress.

**THE  
CHASE NATIONAL BANK**  
OF THE CITY OF NEW YORK  
(MEMBER FEDERAL DEPOSIT INSURANCE CORP.)

*(One of a series of advertisements being published in New York City newspapers)*

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THIS is the experience of many bankers from coast to coast. They praise the Pittcomatic as "the nation's finest automatic door opener." They report, too, that their Pittcomatic installations add to the attractiveness of the building . . . give people the impression that the bank is up-to-date . . . and actually help to bring in new business.

With the Pittcomatic, a slight touch on the handle swings the Herculite glass door in either direction, silently, smoothly and safely as if by magic. A double-acting power hinge, the Pittcomatic has no visible operating mechanism. It operates on 110-volt house current and is entirely self-contained, requiring small space and no major structural changes for installation. A small control panel permits a choice of operations and speeds.

Why not find out more about the Pittcomatic and what it can do for *your* bank? The coupon at the right will bring you full details.

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*. . . the nation's finest  
automatic door opener*

RETURN THIS COUPON  
FOR COMPLETE DETAILS

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Room 3260, 632 Fort Duquesne Blvd., Pittsburgh 22, Pa.  
Without obligation, please send me complete information on the Pittcomatic door opener.

Name .....

Address .....

City ..... State .....



PAINTS • GLASS • CHEMICALS • BRUSHES • PLASTICS • FIBER GLASS

PITTSBURGH PLATE GLASS COMPANY

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"LET'S PROMOTE YOUNG JONES. HE'S OUR FASTEST WORKER...NEXT TO OUR CUMMINS COUPON PERFORATOR.\*"

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Please send full information on Cummins High Speed  
☐ Perforators ☐ Endorsers

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City \_\_\_\_\_ State \_\_\_\_\_

## Directors and Management

**R**ESPONSIBILITIES of bank directors and business management appraisal as it relates to lending were subjects on the agenda at the 10th annual discussion meeting sponsored by The First National Bank of Philadelphia. More than 350 bankers from the Third Federal Reserve District attended.

Henry C. Carr, chairman of the board, reviewed the ramifications of a director's obligations, pointing out that the board has a responsibility to build up successor material. Directors should encourage young executives to accept added responsibilities, and are also obligated to make certain that there is teamwork from top to bottom in the bank.

**JOHN L. GRANT**, assistant cashier, warned that competitive conditions will probably uncover many inefficient company managements, cautioning that a thorough evaluation of managements was especially important at this time, and outlined areas where weaknesses are becoming apparent. He stressed problems of organization, including inadequate executive replacements and unbalanced managerial experience.

Alexander Gunther, vice-president in charge of the bank's consumer credit department, reminded the bankers that, because of current conditions in installment lending now is the time to check credits more closely. Bankers should reappraise their dealers with respect to financial status, selling methods and practice, service and repayment habits.

William H. Hurtzman, vice-president and comptroller, warned that more careful attention to the rising cost of operation was essential today.

**T**HE bank's president, William B. Walker, warned that banks cannot sit back and let things take their course; relying on the Government. Now that controls have been removed, bankers must be more cautious; they won't be able to rely on Government for decisions.

Dr. Lionel D. Edie, economist, saw no reason to expect a major depression in 1953 or in the next two or three years.



# Look what's happened to the old-fashioned teller's stool!



Now, this new, scientifically designed Mosler "Swing-Way" Seat adjusts to any teller. Has rectangular seat with thick Air Foam cushion for greatest comfort and efficiency.

Now, your tellers can work, relaxed and confident in a leaning position. New "Swing-Way" Seat locks, instantly, into leaning, or sitting position. Has adjustable foot rest for further comfort.

Now, the teller can swing his new Mosler "Swing-Way" Seat under the counter in one second. It's a real space-saver. Compact, modern, efficient. Never in the way to trip over!

## Now, your tellers can work, relaxed, free from the tensions that lower efficiency for only \$51.25!\*

Here's one of those "small," relatively inexpensive items of bank equipment that make a surprisingly BIG difference. Many leading banks have *already* discovered how quickly these new Mosler "Swing-Way" Seats pay for themselves by stepping up the speed and accuracy of their tellers' work. Increasing the bank's overall efficiency during rush hours.

It'll pay *your* bank to find out more about them, right away. For they are *not only* efficiency-builders in the teller's cage, but also in every other "stand-up" working position your bank has. Installation is simple and inexpensive no matter what type of floor or counters you have. Mail the coupon for complete details, now!

\*F.O.B. Boston, Mass.

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Robert N. Downie, president, Fidelity State Bank, Garden City, Kansas, left, foreground, testifies on the Farm Credit Act of 1953 before the Senate Agriculture and Forestry Committee. At table with Mr. Downie are, l. to r. Senator Ellender, and Chairman Aiken

## News for Country Bankers

This department is edited by  
MARY B. LEACH of BANKING's staff.

### A.B.A. Testifies on Farm Credit Bill

THE American Bankers Association's position with respect to the franchise tax provisions of S. 1501 and H.R. 4353—the proposed Farm Credit Act of 1953—was presented to the Senate Agriculture and Forestry Committee on May 12 and to the House Agriculture Committee on May 13 by Robert N. Downie, president of the Fidelity State Bank of Garden City, Kansas.

Mr. Downie was assisted at the hearings by J. O. Brott, A.B.A. general counsel, and A. G. Brown, A.B.A. deputy manager and director of the Agricultural Commission.

Mr. Downie suggested changes in the franchise tax provisions as follows:

**Federal Land Banks:** Payment of the tax out of their first earnings. Since the land banks have already fully repaid their capital, the bill as written would not apply to them except as one or more of the banks may take on Government capital.

**Production Credit Corporations:** They have shown little or no profit

in recent years, so that the franchise tax provisions as now written in the bill would not be effective in eliminating the subsidized nature of the present operations of these organizations. The franchise tax should be applicable out of its first earnings and only after losses have been paid and impairment of capital restored.

**Banks for Cooperatives:** The franchise tax should be applicable after losses incurred are made up and impairment of capital is restored and then the full amount of earnings should be made available as a franchise tax. The bill now would limit the franchise tax to a sum equal to 25 percent of net earnings after losses and restoration of capital had been provided.

### Real Estate Values Decline

Farm real estate values showed some decline in most parts of the country during the four months ending March 1, according to the U. S. Department of Agriculture.

Declines were sharpest in the western states and more widespread than in any other four month period since the July-November period of 1949. The index of average value per acre for the country as a whole dropped to 209 (1912-14=100), 2

percent below last November and 1 percent below a year earlier. Over two-thirds of the farms bought during the year ending this March were financed by mortgages or purchase contracts. This is the highest proportion since such estimates were started in 1946. About 50 percent of all purchases were financed by real estate mortgages, and about one-third were cash sales. The number of new mortgages was the lowest since 1946, but the average amount per mortgage was 8 percent more than a year earlier.

### 9th District Farm Facts

"A LARGER proportion of 9th Federal Reserve District farms are now operated by owners and fewer by tenants than ever before," says the *Monthly Review* issued by the Federal Reserve Bank of Minneapolis. "This is shown by an analysis made of changes in farm ownership and farm size in the district during the 1940s.

"Also evident is the fact that farms have become fewer in number and considerably larger in size.

"By actual census count, the total number of farms in the district was at a peak in 1935 at almost 500,000 units. By 1950, the number of farm

units totaled only about 403,000. This was a decrease of almost 20 percent."

## Washington (Ga.) Bank Honored

THE Robert Strickland Agricultural Memorial Award for Distinguished Service to Agriculture in Georgia during 1952 was presented to the Washington (Georgia) Loan and Banking Co., of which F. W. Thomas is president. The presentation was made by W. G. Williamson, chairman of the Agricultural Committee of the Georgia Bankers Association, at the agricultural luncheon of the GBA convention in Savannah. Mr. Williamson is executive vice-president and cashier of the Citizens Bank, Vienna.

The award is presented each year by the Trust Company of Georgia in memory of the bank's late president, Robert Strickland. It consists of a large bronze plaque, depicting the dawn of a new era of agricultural progress in Georgia, and a check for \$2,000, which is used to provide a scholarship for a boy or girl of the bank's choice to pursue an agricultural education in any branch of the University System of Georgia. The bank's choice must be a member of the 4-H Club, FHA, or FFA.

In making the presentation, Mr. Williamson paid tribute to the Washington Loan and Banking Company for its accomplishments. The bank engaged in 35 separate activities last year, all designed to promote agriculture in Wilkes County. These activities were divided into several major groups: participation in rural youth projects, participation in soil conservation and improvement programs, participation in educational farm tours, extension of credit for beef cattle, extension of credit for dairy cattle, participa-

tion in Negro youth projects, and a long list of miscellaneous projects in which the bank's full-time agricultural representative took part.

## Minnesota BA Planters

SOME 24,000 young trees were planted during the "Treeville" mechanical tree-planting demonstration near Shakopee, Minnesota, sponsored by Scott County members of the Minnesota Bankers Association. The program was arranged by F. A. Weiland, cashier, First National Bank of Shakopee and chairman of the Treeville committee; Andy Sirek, executive vice-president of the State Bank of New Prague, and chairman of MBA's "Keep Minnesota Green" Committee; and Floyd W. Larson, executive secretary, MBA.

The "Keep Minnesota Green" Committee has been promoting the purchase of tree planting machines since early this year and to date MBA has provided 25 machines for use in 26 counties. They are made available to county agents and soil conservation committees.

Speakers included Ancher Nelsen, director of REA, and Senator Edward Thyne. Highlights of the "Treeville" program were broadcast on two noon newscasts and the principal speeches were broadcast on a half-hour 5:30 to 6 P.M. program.

## Broiler Financing

SPEAKING on "Financing the Broiler Industry" at a farm credit meeting in Salisbury, Maryland, A. Wellington Tawes, president of the Bank of Crisfield, Maryland, said that "last year 850-million broilers were produced in the country, of which about 150-million were produced in the Del-Mar-Va section." This industry, which anticipates a



KANABEC COUNTY TIMES

Frank P. Powers, president, Kanabec State Bank, Mora, Minn., presents \$225 check to County Agent Richard Herman to buy tree planter, foreground

production of 900-million in 1953, has increased 26 times in 20 years.

After speaking of the huge profits made by broiler farmers before competition became so keen, he described the credit partnership arrangement that has grown up between the feed dealers and the producers, stating:

"The feed dealer furnished the chicks and the feed; the grower furnished the house, equipment, labor, etc. The profits would be shared half and half and losses, if any, were shared equally. This plan worked fairly well for the farmer and gave him incentive and responsibility. As this plan spread and production increased with leaps and bounds, naturally the hatchery and feed business increased with leaps and bounds.

"This brought on competition among the feedmen and soon the farmer was getting 75 percent of the profits and the feed dealer 25 percent and he shared in the losses on the same basis. But it did not stop there. In some instances the feedman gets 10 percent and the farmer 90 percent of the profits and the feedman stands all the losses—the feedman getting his profit from the sale of chicks, feeds, etc. In a few cases the feedman has gone all out and gives the farmer a stated price of \$65 to \$75 per thousand birds for his labor and equipment, and the feed dealer furnishes everything, and takes all profits and losses. The farmer-feedman-hatchery partner-

(CONTINUED ON PAGE 140)



Mr. Williamson, left, presents \$2,000 Strickland Award check to Mr. Thomas. The Strickland Award bronze plaque is in background

## Banker Helped Build Stable Broiler Industry



(Left) George Swope, Cashier of the State Bank of Arcadia, Wisc., helped start broiler industry. (Above) Hatcheryman Ray Kujak gets broiler chicks ready for shipment. Arcadia's own plant for processing birds (below) that go to nearby Minnesota markets.



George Swope, Cashier of the State Bank of Arcadia, Wisconsin, played an important role in bringing a new broiler industry to his community. He was one of the community leaders who worked with Purina Salesman Jack Ping to introduce broiler raising two years ago. The new industry was based on a dependable local market, good feeding and management practices and sound financing. Swope's bank financed many of the growers. Purinamen provided growers with research-proved feeding and management suggestions.

Here's what Swope had to say about broiler financing: "If a farmer is a good credit risk and agrees to grow broilers on a definite program with proper supervision, we will be happy to help him with his financial problems. We've found that these loans liquidate themselves very rapidly."

In the two years, more than 466,290 birds have been sold from the Arcadia area. These birds have returned more than \$430,200 to the community—\$84,000 of which has been labor profit for growers. As Swope says, "Broilers have brought to Arcadia a fine opportunity for additional income and a better standard of living."

## PARTNERS IN PROSPERITY

Many bankers are proud of the prosperity they bring to farming communities by sound financing of feeding operations in dairy, cattle, hogs, broilers, poultry and turkeys. If you are such a man, you will find your Purina Dealer and Salesman glad to work with you on a business-like basis. Your salesman has a portfolio of forms and finance plans that have proved sound and profitable for other bankers. If you'll call your Purina Dealer—the Store with the Checkerboard Sign—he'll be glad to have the salesman call without any feeling of obligation.

**RALSTON PURINA COMPANY**  
ST. LOUIS 2, MO.





# Bank Policies on Conservation Farming Credit

ROGER D. HALE

After three successful business careers in textiles, banking, and lumber, and at an age when most people have ceased to think of radical shifts in interests, MR. HALE became interested in soil conservation and was among the first group of students to receive, in 1952, Yale University's Master of Science in Conservation Degree.

While preparing his thesis on "The Relationship Between Country Bankers and Soil Conservation," MR. HALE developed a questionnaire designed to determine bank lending policies in granting loans for conservation purposes. Subsequently, this questionnaire was used in a nationwide survey made for the Agricultural Commission of the American Bankers Association by the Yale Conservation Program and the National Association of Soil Conservation Districts under MR. HALE'S direction.

He was assisted in this project by a committee composed of A. G. BROWN, deputy manager of the A.B.A. and director of the Agricultural Commission, New York; WATERS S. DAVIS, JR., president of the NASCD, League City, Texas; LLOYD E. PARTAIN, farm market director of the Curtis Publishing Co., Philadelphia; and PAUL B. SEARS, director of the Yale Conservation Program, New Haven.

MR. HALE is a director of the Saco-Lowell Shops (cotton textiles), Boston, and of Scott and Williams (knitting machines), New York, and makes his home in Lake Placid, New York.

It is no longer necessary to document the fact that the modern concept of "Conservation Farming" enables the farmer to conserve his land capital, to produce more, and to increase his profits in any type or size of agricultural enterprise. Nor do we have to prove that the farmer is bound to lose his competitive position, if he thinks that the practices of 25 years ago are still good enough today. That conservation pays has been amply proven and documented.

The banker should regard the present trend toward soil conservation practices on his customers' farms and ranches as a vital part of agriculture's evolution toward better management. And better management in any enterprise means better production and more profit from a given amount of capital and labor. Here we are working with the land and good management can convert it from a depreciating into an appreciating asset.

Industrial progress has been financed primarily by private invest-

ment and private banking; and through so doing it has encouraged and accelerated this process through the individual initiative of a free people and it has done so to the great profit of all concerned. The agricultural evolution now in progress must be financed in this same manner. If it is not, the vacuum will be filled by an ever-increasing Government participation and a gradual stifling of the very forces that brought this progress.

## Over 1,500 Replies

Over the past year the Yale Conservation Program and the National Association of Soil Conservation Districts have carried out a survey of bank policies with respect to conservation farming credit. The questionnaires were sent to the supervisors (directors or commissioners) of each district and they presented them to the banks of their area. Over 1,500 returns were received representing banks from 46 states. This accounts for over 11 percent of the insured banks making agricultural loans and thus rep-

resents a good cross section of banker attitude.

The results of the survey show quite clearly what attitude the banker is taking toward conservation in dealing with his farmer-customers. The conclusions drawn reflect much more than a mere tabulation of answers because in nearly all cases the banks made liberal use of the space for "remarks" to elaborate upon their reaction to each question. So before taking up the five questions in the questionnaire, there is one general conclusion that can definitely be drawn from the completed returns. That is that the majority of the banks in this country stand ready actively to encourage conservation farming in their community, if they have a reasonable knowledge of what such modern and progressive agriculture is and what it can accomplish.

QUESTION I—To what extent do you require conservation practices from farmers and landowners as a condition for credit?

Affirmative .....63%  
(Always 9%; certain cases 54%)  
Never .....37%

This question was not easy to answer and for this reason most banks, after checking whichever answer they thought came nearest to their policy, followed it up by explaining at some length their attitude under the space for remarks.

By far the most prevalent attitude is "We do not require but always try to encourage conservation practices." This type of approach, while desirable as far as it goes, does not reflect a complete understanding of the credit-wise significance of conservation farming. Rather it tends to consider conservation as a group of individual practices which are known to be of value to the farmer and a protection to the loan if his land is the security. Hence the banker recommends them on the same basis as any "repair job" or improvement,

just as he might recommend (and often insist) that the farmer repair his barn roof if that building is part of the collateral.

On the other hand, a certain number of banks—not as many as in the group just discussed, but still a very encouraging number—recognize that conservation practices have an *over-all* bearing on their credit policy and understand that it is today a prerequisite to good farm management, and therefore a *factor in judging credit rating regardless of the type of loan, length of loan, or what assets are put up as security*. Every banker is vitally interested in how his borrower manages his enterprise. The president of a Council Bluffs, Iowa, bank sums up this broad concept of conservation with this comment (under "Remarks" in the questionnaire): "As an indication of good management, soil conservation practices rate very high with us."

On the negative side of the picture—37 percent answered "Never." The prevailing attitude here was: "That is the farmers' business," or "We do not tell our customers how to run their farms." In many cases, they follow up this negative approach by remarking that they just do not know much about "the program," or that it has never been brought to their attention, etc.

### Bankers Ready

On the whole, however, the majority of the nation's bankers are ready to take an active part in promoting the adoption of modern, progressive agriculture in their area and a large number are already doing so. A study of these returns, indicates the need of a much wider appreciation of the broader aspects of conservation practices as good farm management and less concentration upon it as just a few individual practices.

These quotations under Question I are typical:

"Conservation practices have a direct bearing upon credit extension whether or not the borrower is aware of the fact—it is part of the over-all picture in granting credit."  
—from the cashier of a savings bank in Iowa.

"Our experience has proven that farmers and stockmen employing these practices are the best borrowers and customers of our bank."  
—from a bank in Great Falls, Montana.

**QUESTION II—To what extent do you consult with the supervisors or technicians of your Soil Conservation District about the technical and conservation problems on the farm or land in question before granting a loan?**

Affirmative ..... 55%  
(Always 4%; certain cases 51%)  
Never ..... 45%

Modern agriculture demands considerable technical know-how. The techniques of conservation farming—the engineering skill for laying out contours and waterways, the knowledge of the agronomist and soil scientist to determine land capabilities, proper use of fertilizer and the most efficient crop rotations and many others—require a training and special knowledge that most farmers cannot be expected to possess. Modern farming—conservation farming—is a technical business and the farmer today who does not recognize this will be unable to compete with those who do. The farmer is more fortunate than his industrial brother who has to hire his technical know-how—he can get the services of trained technicians at no direct cost to himself.

The county agent is furnished by

the Extension Service, the Soil Conservation District technician by the Soil Conservation Service. The state and regional offices of the Soil Conservation Service, the Forest Service, the state experiment stations, etc., are all at the farmer's service. Also, there are the Soil Conservation district supervisors. While not technically trained, they are the outstanding farmers of the area locally elected to administer and develop conservation farming and to develop the over-all policy for their district. All these people are dedicated to making our land produce more at less cost while at the same time increasing its value.

### Three Main Reasons

Yet, our survey shows that only about half of the banks ever consult these sources of technical information. Why is this? The questionnaires show there are three main reasons. (1) The bank does not know that this service is available, nor does it know much about the local Soil Conservation district or who are their state and Federal personnel; (2) they consider it improper or unethical to bring in an outsider—especially a government or state employee—to discuss either

**W**RITING in the September 1952 issue of the *Journal of Soil and Water Conservation*, Dr. Robert M. Salter, chief of the Soil Conservation Service of the U. S. Department of Agriculture, gave this interpretation of the meaning of "Conservation Farming":

"The term Conservation Farming has come to have a special meaning for most American farmers in recent years. It means much more than merely preventing run-off erosion, and depletion of soil nutrients. The conservation farmers of today are not satisfied with just holding the line: they want to make progress. They are thinking in terms of making the land produce more and more, year after year, for as long as they farm it. They are trying to increase production and improve the land, both at the same time.

"To do true conservation farming, you must first find out exactly what kind of land and how much water you have to work with; then you must use and treat these land and water resources in such a way that they will give the maximum production without depleting the basic resources. This treatment may involve numerous types of conservation practices. Of course, it involves using the land within its capabilities—using it in such a way that it can be protected and improved. It may also involve such varied practices as drainage, irrigation, using more lime and fertilizers, terracing, strip cropping, contouring, cover cropping, manuring, tree planting, constructing masonry and concrete structures of various types, building pond dams, constructing diversion dikes and ditches and water spreaders, and so on. But above all, conservation farming involves the use of good grass and legume crops in rotation on cultivated fields and the protection of waterways, drainage-ways, and eroding lands with a good cover of vegetation."

the agricultural problems of their area or the technical aspects of individual farms; and (3)—and this is a very prevalent approach—one or more directors, executives, or employees of the bank are "farmers," or "ex-farmers" and it is assumed, therefore, that they are qualified to judge modern farm management and technical practices.

How about those 55 percent who say they do, in certain cases, consult with their local technicians or county agent? Their remarks in case after case show that they not only recognize that modern farming is a technical business but that they want all the reliable information they can get. They take this as a matter of course and they are quick to include in their remarks their appreciation of the valuable help they receive from the personnel of the Soil Conservation districts, county agent, etc., and the value they place upon a close working relationship with them. Within this group are also those—and there are quite a number—where the president of the bank or one of the officers or directors is a Soil Conservation district cooperator or even one of the district supervisors. This, of course, creates an ideal and constructive relationship.

#### Typical Quotes

The following quotations from the remarks of various bankers under Question II are typical:

"We try to keep in touch with the supervisors as to practices of the bank's customers."—*from a bank in Nebraska.*

"In every case, we believe them to be the main source of information."—*from a country bank in Oregon.*

"Technical information always requested from county agent or soil conservation technician."—*from a Fredericksburg, Virginia, bank.*

**QUESTION III—***Would you be inclined to liberalize your credit limit or terms to a farmer if the proceeds of the loan were to be used to establish soil conservation practices recommended to him by his Soil Conservation district technician or supervisor?*

Affirmative .....95%  
(Yes 65%; certain cases 30%)  
No .....5%

This overwhelming affirmative an-



Roger D. Hale

swer is significant. Here the banker is on his own ground. Here he looks upon improvements to the land as he looks upon any other property improvement, just as he looks upon a new coat of paint on the barn, or a new roof on the house. Here is something where the proceeds of the loan are used directly to increase the value of his security. Under a carefully worked out plan, it is often possible for conservation loans to be repaid out of increased profits. In many cases these can be forecasted with reasonable accuracy.

In 1945, the Federal Reserve Bank of St. Louis brought out a booklet by Darryl R. Francis entitled *Bank Credit for Soil Conservation*, wherein a very detailed plan was worked out for such self-liquidating conservation loans. The plan was illustrated by figures from actual farms near St. Joseph, Missouri, and, therefore, became known as the "St. Joseph plan." Whether or not this particular plan is applicable to other areas and conditions is not the point, but the principle of using all or part of the increased profits created by the loan to pay back the loan is an established one and worthy of being considered when loans for conservation work are being made.

A number of banks mentioned that they have made "some" loans for conservation, but the general impression is that as yet such loans are generally in rather small volume. If the banks are as willing to make such loans as the answers to this question indicate, this small volume

must be from a lack of demand. This demand the bank can do much to stimulate, as conservation becomes more and more a significant part of their agricultural credit policies. It also is necessary for the farmer to be able to figure his costs to the point where he can find out for himself what improvement in yields and profits these conservation practices can bring to him.

**QUESTION IV—***Would you be interested in having in your files a copy of the land capability map and farm plan (if one has been made) of your customer's farm or ranch?*

(a) Yes .....90%  
(b) No .....10%

Land capability maps and farm plans can be of constructive use to the banker—as is pointed out in "SCS Farm Plans an Asset to Country Bankers," by J. Carlisle Rogers of the First National Bank of Leesburg, Florida, which appeared in November 1952 *BANKING*, pages 66 and 68.

**QUESTION V—***To what extent do you feel that the farmers and land owners in your Soil Conservation district have an adequate knowledge of their costs, keep reasonably good records thereof, and understand the values involved in their enterprises?*

(a) Most of them .....24%  
(b) Some of them .....66%  
(c) Practically none of them 10%  
(d) Do you require adequate records for a loan?

Yes .....44%  
No .....56%

The "remarks" to this question are interesting in that they bring out two main points:

(1) That there is improvement along this line, but still a long way to go and that much additional work is needed.

(2) That modern agricultural enterprises to be successful demand an adequate understanding of costs.

As for requiring records for loans, more than one-half of those that answered say "no." The usual reaction is "we do not, but we should," or "they are just not available."

There is a chance for much improvement here. This is something on which the banks and the Extension Service should get together. Most banks wish—as the results of Question III indicate—to carry



sound conservation loans, but the demand must be created by the farmer himself being able to understand the principles whereby he can figure whether or not the increased profits will be sufficient to pay up the loan within a reasonable time.

## Recommendations

There is the opportunity in every farming community for the banks to take the lead in encouraging Soil Conservation district activity and to actively support its program and that of the county agent and other local conservation organizations—whether Federal, state, or private.

These organizations are endeavoring to bring modern agriculture to every farm, to save our soil, water, and forest resources, and they are still feeling their way as to the best methods of fulfilling their task. The banks are old, established institutions and enjoy an influence and respect which make them the leaders in their community. It is natural and fitting that they should take the initiative in any such far-reaching program. The Soil Conservation districts are by comparison very young; their supervisors, perhaps inexperienced in administrative work, need more than just passive approval. They need the benefit of the banker's active cooperation and community leadership.

In this survey we received completed questionnaires from just over 500 conservation districts, although all of the 2,400 were requested to help us carry out this project. Undoubtedly those that we did hear from represent a large portion of the really active districts. This means that there is a vast number of districts which need help in carrying out their programs. The mere fact that there are 2,400 legally organized districts in existence, covering over 75 percent of this nation's agricultural land, does not mean much unless they actually function. After all, local control and administration is the right way to bring conservation to the land and we must help these districts to do their job. The banker must realize that with this Soil Conservation District program in its early stages and with its administration entirely in the hands of farmers, leadership and initiative may be up to him.

The state bankers associations should initiate a sound conservation program. Such a program must be fitted to each state's particular needs, but the following suggestions will serve as a starting point. Some of these suggestions are already being carried out by various individual banks and their progressive policy should be more widely adopted. It is suggested:

(1) That the agricultural committee of each state bankers association publish a conservation directory for their state and that this directory be sent to each member bank. Such a directory should include the following information:

### Directory Suggestions

- (a) Names and addresses of county agents and other Extension Service personnel  
Soil Conservation districts  
Soil Conservation district supervisors and technicians  
State and extension foresters  
State nurseries  
Marketing and farming co-operatives.
- (b) List of all the state and local conservation organizations and a summary of their activities.

This directory might very well be brought out in cooperation with the State Association of Soil Conservation Districts. Such cooperation between them and the district association will in itself be a constructive relationship.

(2) Also the agricultural committee of each state bankers association should urge its members to take an active part in organizing and administering local watershed associations and through them encourage urban and industrial appreciation of the importance of upstream flood control through soil conservation practices.

(3) It is further suggested that in the "news letters" sent out periodically to member banks by most state bankers associations (or special letters if necessary) that they—

- (a) Urge the individual banks to get acquainted with their Soil Conservation District's Program for Greater Service and, when requested, be willing to serve on the committees that are being formed thereunder.
- (b) Explain the use of capability maps and farm plans and how to obtain them.
- (c) Urge member banks to invite the county agent and the district supervisors to meet with them for the purpose of discussing

agriculture and land management problems of the community.

- (d) Through the news letter keep member banks informed about the 4-H and Future Farmers of America programs. Call attention to their winners so that local banks may give recognition to them. Also keep member banks informed about the Green Pasture program, Tree Farm program, etc.
- (e) Remind member banks of the value of "An Outside Program for Country Banks" as outlined in the A.B.A.'s Agricultural Commission's recent pamphlet.
- (f) Whenever possible, arrange for a Soil Conservation district supervisor to give a talk about his work at civic meetings such as Rotary, Kiwanis, etc.

(4) Urge member banks to get together in their local area in cooperation with the county agent to help develop a program to educate farmers about cost accounting.

### Bibliography

(5) Distribute to member banks appropriate publications, such as:

*The What, Why and How of Soil Conservation Districts and Your Suggested Program for Greater Service.* Both leaflets are available from National Association of Soil Conservation Districts, P. O. Box 307, League City, Texas.

*The Farm Equipment Dealer and His Soil Conservation District* (an excellent description of district set-up, put out by Farm Equipment Institute, 608 S. Dearborn St., Chicago.

*The Measure of Our Land—Description of Land Capability Maps*, U. S. Government publication, No. SCS Program Aid 128.

*What Is a Conservation Plan?*—U. S. Government publication A1:35:249.

*Technical Skill for Soil and Water Conservation*—U. S. Government publication, No. PA 86.

All these suggestions simply add up to taking any and all appropriate steps to encourage local Soil Conservation district leadership.

With active interest and intelligent community leadership on the part of the banks, and by an ever-increasing effort and belief in their own work by the Soil Conservation district supervisors, local technicians, and county agents, the task of getting every acre of our farm and ranch land under "good management" will proceed with the speed and sureness characteristic of a free people.





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# Canada Appraises the Peace Prospects

C. M. SHORT

THE "peace scare" has not caused Canada such economic fears as those felt in the United States, although the Canadian stock markets have reflected the bearish influences of the American exchanges. The impact of any possible cut in Canada's rearmament program consequent upon an international agreement on disarmament would be less than might be experienced by a proportionate reduction in the United States.

While the Canadian armament machine has recently been getting into high gear, it is not absorbing as much of the national production as the American military effort requires. Moreover, it is still largely concentrated at the comparatively few aircraft and naval shipbuilding centers that Canada has, although, of course, there are a great many subcontracts at numerous other points, even in some small localities.

However, Canadian observers are casting more anxious eyes on the United States, for one reason because they realize that even a slight decline in American gross national production would probably mean a much greater cut in imports of various raw materials while stockpiles were run down. Another reason for anxiety is the activity of American protectionist groups for stricter and higher tariffs, particularly in respect of agricultural products and lead and zinc. But for the time being the Canadian industrial system as a whole continues to forge ahead, with production running about 10 percent over that of a year ago.

CANADA'S foreign trade this year has, however, undergone some marked changes. Total commodity exports have dropped quite materially below those of the early part of 1952, notwithstanding a substantial rise in sales to the United States, which as forecast some months ago in *BANKING*, have averaged nearly \$200,000,000 per month,

to account for over 60 percent of those in all directions. At the same time, imports have risen quite substantially, not only because of larger purchases of American products, but also of British commodities. Imports of the last-mentioned increased by more than one-third over those of the first part of 1952. Taking all Canadian trade into account, both exports and imports, there is a quite large import surplus this year, which contrasts with an export balance a year ago. This unfavorable turn in Canada's foreign trade is the result not only of dollar shortages in most overseas countries but, also, of greater competition by European exporters of industrial goods in various markets, Latin America for example, which until recently were taking increasing quantities of Canadian manufactures.

ACCORDINGLY, new interest has been taken in American market prospects, but without any great hopes of disposing of much more industrial production in the United States. The Canadian Manufacturers' Association recently appealed to the Dominion Senate for more positive efforts to broaden the American market for Canadian goods, but it might as well be realized by all concerned on both sides of the border that the prices of these are not competitive with those of American character, except where there is a high labor content. Certain specialties, sportswear, winter athletic equipment, and various textile fabrics of original design, already have a fair market south of the border, and sales of these could probably be broadened. But, while the Canadian industrial system is a most modern one and turns out a big range of merchandise, it has not all the advantages of American mass production methods and the resultant low unit costs.

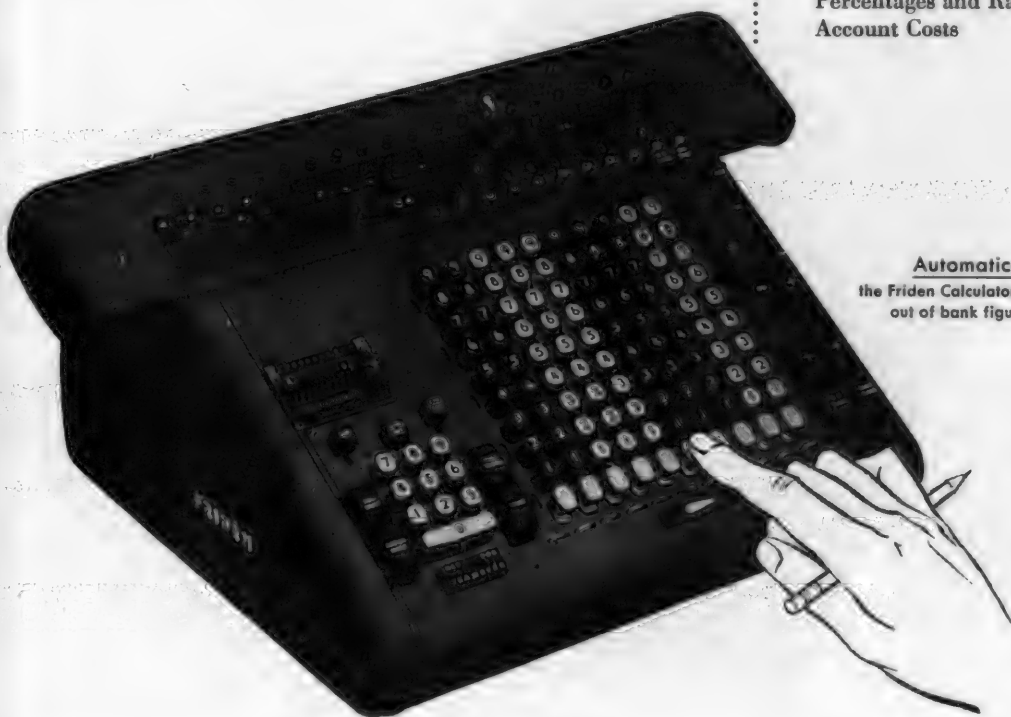
This is the open season for the most extensive work on Canada's vast natural resources development program stretching from the north Pacific Coast and the Yukon to Newfoundland. Apart from such great projects as further development of the western oil fields, the opening up of new nickel, copper, lead, and zinc deposits, and the final preparations for the commencement of iron mining in the Quebec-Labrador region, considerable exploratory work has been undertaken by strong and experienced interests in the New Brunswick metal field. This particular work is of a much more constructive character than the wild speculation which shortly followed the announcement of preliminary surveys indicating extensive mineral deposits in that Province.

MOREOVER, the newly discovered iron ore bodies in northern Ungava, mentioned in *BANKING* early this year, are now to be more thoroughly explored. These are in a wild and forbidding region, some hundreds of miles north of the Quebec-Labrador field, but they are estimated to contain over 500,000,000 tons of medium- and high-grade ore.

It might also be noted that the strong economic growth of Canada in recent years has begun to attract European as well as American capital. The Rothschild interests have definitely undertaken development of large tracts of forest and mineral areas in Newfoundland, while Swiss, German, Swedish, and British capitalists and industrialists have been quite heavy buyers of new Canadian security issues for development purposes and have also been able to arrange transfers of funds from their own countries to establish branch factories in Canada or to participate in the operations of established companies. The activities directed toward Canada by these European interests are welcome both for the foreign capital investment and the scientific skills they bring.

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## GOVERNMENT BONDS

(CONTINUED FROM PAGE 61)

counted for over \$1-billion of the decline. This was necessary because of the constant pressure on reserve positions as demand for loans showed no letup and access to the discount windows at the Federal Reserve banks was being somewhat restricted.

Under the circumstances, and with the Open Market Committee remaining entirely on the side lines, the rise in the short-term rate structure was inevitable.

### What Now?

There has been no diminution in the flow of new bond offerings by both corporations and states and municipalities. Economists are forecasting a continued high volume of business for some time. As yet there is no truce in Korea. Even should there be, Government expenditures cannot be materially reduced before 1954, if then. A balanced budget for 1953/54 has not yet been assured.

Just where an excess of demand over supply for Government securities can come from is hard to discover. Before any real improvement in the market takes place there will have to be some evidence of at least a moderate recession in business volume. Not until then is there at all likely to be any change in the present credit restrictive policies of the Federal Reserve authorities. For the present there seems no reasonable basis for anticipating any real improvement in the market, while the possibility exists that somewhat lower prices may be recorded before the turn comes.



"How can I learn the value of money if I never have any to practice on?"



Standard Oil Company (New Jersey) reports on...

# A big job...well in hand

(Highlights from the Annual Report for 1952)

People needed more oil in 1952 than ever before, but once again ample supplies were available to meet the demand. An important part of this big job was done by companies in which Standard Oil Company (New Jersey) has investments. These companies expanded their facilities to provide people of many nations with oil to heat and light their homes, fuel their ships and planes and trains, power and lubricate their factories, harvest their crops, and run their cars and trucks.

Jersey's Annual Report for 1952 shows how the big job of supplying people's oil needs has become even bigger. It shows, too, how well this kind of American enterprise handles it.

During 1952, Jersey's affiliated companies produced, refined and sold more oil than in

any previous year. This meant more oil wells, more miles of pipe line, new tankers, additional refining capacity, and expanded distribution facilities.

It also meant large investments. During the year, new equipment and replacements cost \$498,000,000. Since 1945, almost three billion dollars have been spent for this purpose.

The increased business brought to Jersey and its consolidated affiliates a record gross income for the year, but because of the higher costs of doing business, net income was \$8,480,000 less than 1951's record high. About half of this net income of \$520,000,000 was paid in dividends to the 269,000 persons who own Jersey.

These pictures give some idea of the scope and scale of Jersey affiliates' activities during 1952:



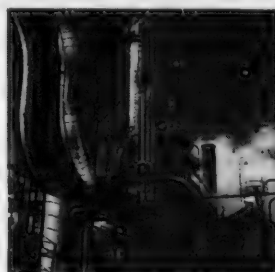
**New Oil Sources** are located by constant search and by using modern equipment like this helicopter in Canada. New fields were also sought, with good success, in the U. S., South America, Western Europe, the Middle and Far East.



**When Geologists Find a Likely Spot**, or when known fields are being developed, new oil wells must be sunk, often at great cost. Here is a drilling rig in a project which expanded the known boundaries of an oil field in Saudi Arabia.



**Many New Wells**, such as this opening a Texas field, must be placed in operation yearly to meet demands. In 1952, although production of Jersey affiliates was 4 times that of 20 years ago, their proved reserves were at an all time high.



**New Refining Capacity** helps to meet the need for more and better products. The units shown above, for example, represented an important part of a recent modernization and expansion program at a Jersey affiliate's refinery.



**Pipe Lines** are costly, but provide the most efficient overland transportation of petroleum. This means cheaper, more abundant products. The pipe shown above went into a line delivering crude oil to a Venezuelan refinery.



**Tanker Construction** goes on constantly to meet requirements for water transportation of crude oil and finished products. During 1952 Jersey affiliates took delivery of two new ocean-going tankers like the one shown above, as well as four smaller tankers.



**New Ideas** are essential to meet people's needs for more and better oil products. Over \$27,000,000 and the time of 2,500 employees were devoted to research in 1952. Notable results included a motor oil to maintain efficiency of high-compression automobile engines.

## FINANCIAL SUMMARY—1952

Standard Oil Company (New Jersey) and Consolidated Affiliates

Total income from sales, services, dividends and interest. \$4,156,977,000	Taxes charged to income . . . . . \$371,600,000
Net income . . . \$519,981,000 or \$8.58 per share	Other taxes, collected for governments. . \$384,500,000
Dividends paid. . \$256,882,000 or \$4.25 per share	Spent for new plants and facilities. . \$498,051,000
Wages and other employment costs . . \$670,200,000	Number of shareholder-owners . . . . . 269,000
	Number of employees 120,000

The Annual Report tells the story in detail. We will be pleased to send a copy to anyone wishing it. Write Room 1626, 30 Rockefeller Plaza, New York 20, N. Y.

STANDARD OIL COMPANY (NEW JERSEY)

AND AFFILIATED COMPANIES



# BANK LAW NEWS

## Commissioner's Powers—Taxation—Stop Payment

### BANK COMMISSIONER'S POWERS

In determining whether application for small loan license should be granted, bank commissioner may consider interest rate that applicant will charge.

IN applying to New York's bank commissioner for licenses to operate additional small loan offices, Friendly Finance Service, Inc., volunteered to continue, in such offices, the practice maintained in its existing offices of charging less than the maximum rate of interest permitted by state law. The licenses were granted.

Seven other finance companies then petitioned the courts to declare the licenses invalid on the grounds that the commissioner had no authority to require a prospective licensee to stipulate that it would charge less than the legal rates, and that its license might be revoked without notice if it did charge more than the rates it stipulated.

The commissioner answered that the stipulations volunteered by Friendly actually were not incorporated in the licenses, that the licenses would not be revoked without the notice and hearing required by law, and that the seven companies would not be required to offer any similar stipulations. Friendly joined the bank commissioner in opposing the petition. In due course of time New York's Supreme Court for New York County dismissed the petition.

For reasons primarily of interest to lawyers only, the court first held that the petitioners had "no standing to sue." Then, for reasons that should be of interest to bankers, it held that even if the petitioners had such standing "they should not prevail upon the merits in this proceeding."

The legislature had intended that the maximum small loan rate

"should at all times be the ceiling under which loans . . . may be made," said the court. "The statute fixes the ceiling, and then calls upon the principle of supply and demand to determine what rate under this ceiling the people will have to pay."

However, with the exception of Friendly, "every one of the hundreds of licensed small loan offices in the state, including those of petitioners, are charging identical rates—the statutory maximum. Except for Friendly, those which previously charged lesser rates were bought up by the others—and their rates were then increased to the prevalent maximum rate."

"The evidence is convincing that the conversion, over a period of years, of the statutory maximum rates in this state to the factual minimum did not evolve from the free play of a competitive market," the court stated.

Citing figures, the court described the period from 1946 to 1950 as a "lush period of easy credit, enormous profits and slight risks," during which the prevailing normal competitive situation should have stimulated a much larger number of companies to lower their interest rates. "In a similar period, banks operating personal loan departments, under comparable competitive conditions, tended to reduce their rates to figures below the applicable maximum," the court found.

The bank commissioner did have the right, not to fix rates, but to "consider" rates to be charged by applicants for licenses, and such consideration might "properly stimulate a free and healthy competitive situation resulting in a lowering of rates; or encourage the licensing of lenders offering to charge less than maximum rates," the court concluded. Personal Finance Company of N. Y. v. Lyon. N. Y. Sup. Ct., Special Term, Part I, April 20, 1953.

### FEDERAL TAXATION

Gain on collection of face amount of promissory notes acquired at a discount held capital gain, not subject to full Federal income taxes.

THE Tax Court of the United States in a recent decision pointed up an interesting and sometimes overlooked aspect of the Federal income tax law.

The taxpayer in the case was part owner of a mortgage bond, and the income tax basis of his participation was less than the face amount of his participating interest. Shortly before this obligation matured it appeared that the debtor, a corporation, would not be in a position to meet it. Accordingly, the debtor had been permitted to extend its obligation by issuing, in place of the bond, a promissory note in registered form, maturing five years later than the bond. Subsequently, the taxpayer collected a portion of the principal due on the registered note, realizing gain.

The taxpayer maintained that under the provisions of Section 117 (f) of the Internal Revenue Code this constituted a capital gain. The Commissioner of Internal Revenue, on the other hand, claimed that the gain was fully taxable as ordinary income. He argued that the note simply stood in place of the prior bond and, since a collection of principal when the debt was evidenced by the bond would have resulted in ordinary income, not capital gain, the same treatment should be given to a collection on the note.

The court agreed with the commissioner that tax savings aspects, not present in the bond, had been incorporated in the note. But it also agreed with the taxpayer that these aspects must be given recog-

(CONTINUED ON PAGE 90)

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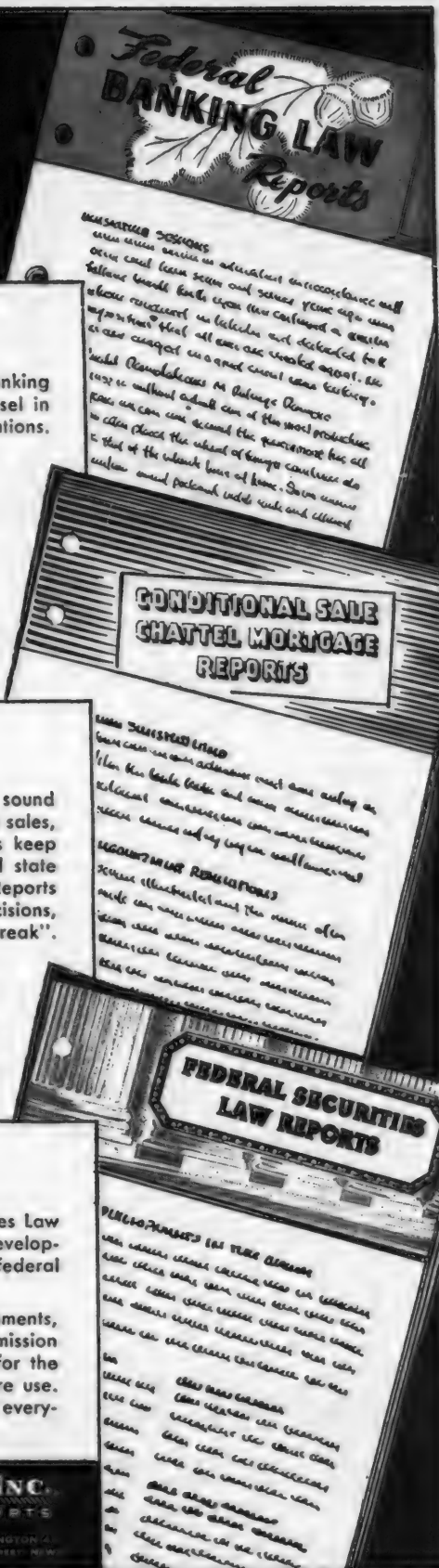
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(CONTINUED FROM PAGE 88)

dition. The fact that the debtor's finances did not readily permit payment of the original debt, had been "sufficient business reason" for extending it, and the fact that the taxpayer chose a method of extension which afforded certain benefits was immaterial, the court concluded. The method chosen had been made available by Congress and its use could not be denied by the commissioner. Oestreicher, Trustee, Petitioner, v. Commissioner of Internal Revenue 20 T. C. No. 3, April 6, 1953.

### STOPPING PAYMENT

**Bank's release clause, obtained for consideration, is not void as against public policy.**

PENNSYLVANIA'S Superior Court has held that a clause in a bank's printed stop payment order form, stating that the bank should not be liable for failure to obey the order through inadvertence, is not void as against public policy. The decision reverses that of the trial court, reported here in April 1952, and is itself subject to appeal.

The clause in question read: "Should the check be paid through inadvertence, accident or oversight, it is expressly agreed that the bank will in no way be held responsible. The bank receives this request upon the express condition that it shall not be in any way liable for its act should the check be paid by it in the course of its business. The undersigned agrees to be legally bound hereby."

The Court held that such clauses "relate exclusively to personal and private affairs." So long as they are obtained for consideration and clearly express the intention of a depositor to agree to a limitation of his bank's common law obligation to honor an unequivocal stop payment order, they are enforceable, "since no public interest is involved."

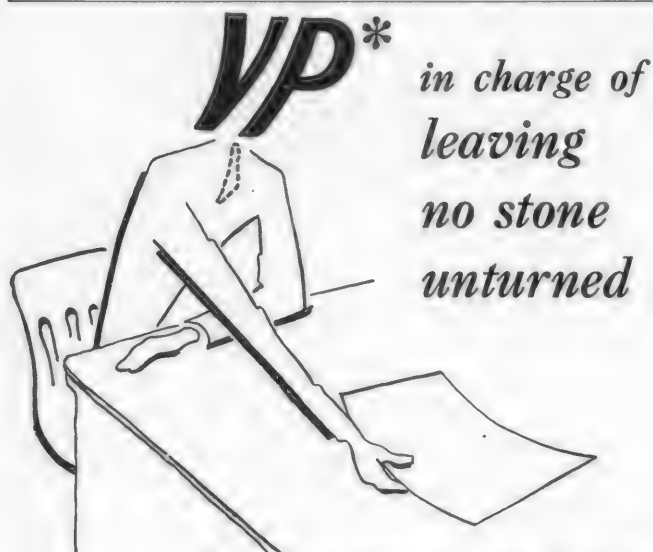
In the instant case, the court held, the defense of lack of consideration is not available to the depositor, since the release which he signed specifically provides: "The undersigned agrees to be legally bound hereby." Under the terms of the Uniform Written Obligations Act as enacted in Pennsylvania, such an agreement removes lack of consideration as a ground for avoiding the effect of the release, the court held. *E. J. Thomas v. First National Bank of Scranton*, Superior Court of Pa., No. 8, Feb. Term 1953. Filed: April 15, 1953.

### INSTALMENT PAPER

**Purchaser of paper from instalment dealer is not necessarily a holder in due course.**

FLORIDA is now one of the few states wherein financing institutions which purchase negotiable notes from conditional sellers do not necessarily take them as holders in due course, free of defenses by the conditional buyers.

It all began when one Martin, a grocer, purchased a deep freezer and a meat saw from a dealer named Highsmith, signed a conditional sales agreement, and executed a negotiable promissory note attached to the agreement. On the following day, Highsmith sold this note and agreement to the Mutual Finance Company. Some time later, the note not being paid, the finance company sued Martin.



*\*A fictional character with a very factual effect.*

When you stop to think about it, the vice president above isn't so imaginary after all. Countless times, in our many years of correspondent banking service, careful attention to the most minute detail has averted serious confusion. Countless times, too, a suggestion here or there has led to more efficient banking procedures for one of our correspondents. To us, good correspondent service means that no transaction is ever routine.

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## CENTRAL NATIONAL BANK of Cleveland

CLEVELAND 1, OHIO

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



Martin defended on the grounds that the freezer had been misrepresented to him by Highsmith, that it was "old, inefficient, completely outmoded, and of no value," that there was "a total failure of consideration," and that the finance company was not a holder in due course.

Florida's Supreme Court agreed with Martin. It found that the freezer had indeed been misrepresented; that the note and agreement had been executed concurrently and as a part of the same transaction; that the finance company had furnished Highsmith with printed forms of agreement designating it as assignee and designating its office as the place of payment, and that on the day before the sale it had investigated and approved Martin's credit and agreed to purchase his note from Highsmith when the sale had been made.

Without admitting or suggesting that the finance company had any actual knowledge concerning any fraudulent representations or of the failure of consideration, the court then decided that the finance company "was so closely connected with the entire transaction . . . that it cannot be heard to say that it, in good faith, was an innocent purchaser of the instrument for value before maturity. . . . Rather than being a purchaser of the instrument after its execution, it was to all intents and purposes a party to the agreement and instrument from the beginning. . . ." *Mutual Finance Company v. F. J. Martin*, 63 So.2d 649.

### ASSIGNMENT OF CLAIMS

**Prime Contractor with Notice of Assignment is Liable to Assignee Bank for Paying the Assigning Subcontractor**

A PRIME contractor who has been notified that moneys due on a purchase order contract to one of its subcontractors had been assigned to a bank, but nevertheless makes payment directly to the subcontractor, is liable to make a second payment to the bank, Mississippi's Supreme Court has held.

Plaintiff bank loaned the subcontractor \$1,100 on a note secured by an assignment to it of sums due or to become due on a purchase order contract to perform certain work on a U. S. Airforce base. The bank immediately notified defendant prime con-

tractor of the assignment. However, the defendant paid the subcontractor the full amount due on his contract, and notified the bank that it did not "accept" the assignment. The subcontractor meanwhile having gone bankrupt without repaying the loan, the bank sued defendant.

The court held defendant liable for the full amount of the loan, quoting an established rule of Mississippi law: "Where a person knows of an assignment and either incurs additional obligations to the assignor or makes payment to him, or other per-

sons, in preference thereto, he cannot escape liability to the assignee."

The court hinted that the result might have been different if the defendant had used any of the funds earned under the purchase order to pay labor employed by the subcontractor. However, defendant testified that, in the instant case, before making payment to the subcontractor it had obtained affidavits showing that all his laborers had been paid. *Ewin Engineering Corp. v. Deposit Guaranty B. & T. Co.* 62 So.2d 572.

JOHN RENÉ VINCENS

## THE FORT WORTH NATIONAL BANK

FORT WORTH, TEXAS

★

### STATEMENT OF CONDITION AT CLOSE OF BUSINESS APRIL 20, 1953

#### RESOURCES

CASH AND DUE FROM BANKS.....	\$ 67,300,028.80
UNITED STATES GOVERNMENT SECURITIES.....	53,553,449.51
OBLIGATIONS OF STATES AND POLITICAL SUBDIVISIONS.....	6,576,160.72
OTHER BONDS, NOTES AND DEBENTURES.....	706,169.53
STOCK FEDERAL RESERVE BANK.....	360,000.00
LOANS AND DISCOUNTS.....	97,034,707.39
INCOME EARNED—UNCOLLECTED.....	545,654.50
BANKING HOUSE AND GARAGE PROPERTY.....	3,971,722.20
FURNITURE AND FIXTURES.....	21,526.12
OTHER REAL ESTATE.....	1.00
CUSTOMERS' LIABILITY—LETTERS OF CREDIT.....	429,542.44
OTHER RESOURCES.....	92,657.45
TOTAL.....	\$230,591,839.66

★

#### LIABILITIES

CAPITAL ACCOUNTS:		
COMMON STOCK.....	\$6,000,000.00	
SURPLUS.....	6,000,000.00	
UNDIVIDED PROFITS.....	967,161.96	\$12,967,161.96
RESERVE FOR CONTINGENCIES.....		1,861,130.68
RESERVE—AMORTIZATION OF BOND PREMIUMS.....		1,032,167.34
RESERVE—TAXES, INTEREST, EXPENSE, ETC.....		919,340.29
LETTERS OF CREDIT ISSUED.....		429,542.44
INCOME COLLECTED—UNEARNED.....		1,007,145.59
DEPOSITS:		
INDIVIDUAL.....	\$156,015,311.19	
BANK.....	39,480,837.44	
U. S. GOVERNMENT.....	6,077,756.53	
OTHER PUBLIC FUNDS.....	10,801,446.21	212,375,351.37
TOTAL.....		\$230,591,839.66

U. S. Government and other securities carried at \$29,135,459.25 in the above statement are deposited to secure public funds and for other purposes required or permitted by law.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

# Other Organizations

The news in this department is edited by WILLIAM P. BOGIE of BANKING's staff.

## Visit A. B. A.

HERETOFORE when representatives of a state association have paid a visit to their Congressmen and the Federal banking agencies in Washington they officially, at least, have called their mission accomplished and returned home. But not the MICHIGAN BANKERS ASSOCIATION.

That group, after making the usual round of Washington calls, proceeded to New York to talk with members of the staff at the American Bankers Association headquarters. Among the subjects discussed were educational problems (see cut on page 94), savings and loan competition, and insurance.

The value of the MBA visit—and the potential value of such visits to

other state groups who might follow the MBA precedent—are attested to in a letter from MBA President B. P. Sherwood, Jr., president, Grand Haven State Bank, who wrote, in part:

It seems to me that both the A.B.A. and the various state associations have a similar objective. Each one is working for the good of banking. One's activities are confined to the state borders largely, while the A.B.A.'s activities cover the whole country. In view of the fact that the objectives are similar, it would seem logical that these objectives could be obtained faster and in a better manner if there was a meshing of the gears, so to speak, through personal contact and better understanding of the problems each has.

I am sure that this can best be brought about by getting acquainted through visits such as ours in the A.B.A. office. I hope that there is a similar feeling in your office, and that you will encourage such visits on

the part of the other states in the future.

I want you to know that we appreciated the information we obtained. . . . I personally have a much better knowledge of the problems and quality of the staff of the A.B.A. than I have ever had before.

## Audit Survey

RICHARD RAPPORT, executive manager of the CONNECTICUT BANKERS ASSOCIATION, reported to the recent eastern regional conference of the National Association of Bank Audi-

(CONTINUED ON PAGE 94)

## SOME NEW

### STATE ASSOCIATION PRESIDENTS

Right: TEXAS—W. Neal Greer, president, Citizens State Bank, Houston; Below, left to right: TENNESSEE—Hugh W. Hicks, president, First National Bank, Jackson; MISSISSIPPI—R. P. Parish, Jr., vice-president, The Bank of Greenwood; UTAH—Charles H. Dixon, vice-president, Commercial Bank of Utah, Spanish Fork





*Left to right:* INDIANA—James M. Givens, vice-president, Indiana National Bank, Indianapolis; NORTH DAKOTA—Sharpe Pruetz, cashier, Kulm State Bank; SOUTH CAROLINA—Charles A. Laffitte, president, Carolina Commercial Bank, Allendale



*Left to right:* LOUISIANA—A. Dennis Landry, president, The First National Bank, Lafayette; RHODE ISLAND—Louis E. Grover, Jr., vice-president, Citizens Savings Bank, Providence; SOUTH DAKOTA—Carroll H. Lockhart, president, The First Citizens National Bank, Watertown



*Left to right:* NEW JERSEY—John P. Poe, president, First National Bank, Princeton; KANSAS—J. E. Merriam, president, Central National Bank and Trust Company, Topeka; OHIO—Edison Hobstetter, president, Pomeroy National Bank



Although a large number of state association groups visit their Congressmen and the Federal banking agencies in Washington annually, it remained for representatives of the Michigan Bankers Association to be the first to include in their trip a visit at the New York headquarters of the American Bankers Association. In the photo above are, *left to right*, MBA First Vice-president Rex P. Teeters, president, Shiawassee County Bank, Durand; A.B.A. Deputy Manager William T. Wilson, secretary, State Association Section; MBA President B. P. Sherwood, Jr., president, Grand Haven State Bank; Fred B. Post, former MBA president and now a member of its executive committee, and president of the First Security Bank, Ionia, and Leroy Lewis educational director, American Institute of Banking

(CONTINUED FROM PAGE 92)  
tors and Comptrollers the results of a survey he made among 56 state bankers associations (including savings banks) on what they had done toward improving bank auditing.

Of the 43 that replied, 10 said

William A. Clarke, president, W. A. Clarke Mortgage Company, Philadelphia, has been nominated as president of the Mortgage Bankers Association of America



**RIGHT—**  
The new president of the United States Chamber of Commerce, Richard L. Bowditch, *right*, receives a gavel from his predecessor, Lawrence F. Lee. Mr. Bowditch is president and director, Sprague Steamship Co., Boston, and president of the New England Council



basis. Another's secretary attends all NABAC meetings in his state. Two have separate audit sections within the association framework.

Four have made "outstanding contributions to the improvement of bank auditing." The New York association recently issued a 71-page booklet, "Safeguarding the Bank's Assets." Pennsylvania published two pamphlets last year: "Audit Safeguards and Internal Controls" and "Minimum Scope of External Bank Audits by Independent Public Accountants." The Ohio Bankers Association prepared a booklet, "An Ounce of Prevention," while Iowa has an extensive program, "Still Better Audit Control of Iowa Bank Operations."

Mr. Rapport urged cooperation with NABAC and the American Bankers Association in their efforts for better auditing. "The A.B.A.'s Country Bank Commission's coming 'Audit Program for Country Banks' promises to be of great assistance to all of us," he said.

## Georgia BA Staff

At the 61st annual convention of the Georgia Bankers Association, Miss Sue Roberts was named assistant secretary. This marks the first time in the history of the association that a woman has been named to this office. Miss Roberts has been affiliated with the association for nearly nine years.

## School of the South

ONE-HUNDRED and thirty-eight bank officers from 12 states are in the freshman or first-year class for





Richard A. Booth, left, president of the Springfield Institution for Savings, is the new president of the National Association of Mutual Savings Banks

Pennsylvania banks in the cooperative educational program of the PENNSYLVANIA BANKERS ASSOCIATION.

The folder, printed in red and black, is intended for distribution to high school seniors and high school guidance directors or commercial teachers. It points out that working conditions, income and fu-

ture are the "three checkpoints by which to judge a job," and answers the question: "How does working in a bank measure up?"

The folder concludes, "Each year thousands of high school graduates choose banking as their career—it's a profession you'll be proud to call your own. You'll like working in a bank—just as 410,000 others do!"

This folder is being distributed by banks in the PBA educational program. It is also available to other banks on request.

the current session of the SCHOOL OF BANKING OF THE SOUTH at Louisiana State University, according to R. Irby Didier, registrar. This year's session will end on June 13.

The school which is limited to 300 students, began four years ago, in June 1950, as a cooperative venture of bankers associations of nine southern states—Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, South Carolina, and Tennessee.

## For High School Seniors

**YOU'LL Like Working in a Bank** is the latest folder being used by

George S. Eccles, below, president of the First Security Bank of Utah, NA, Salt Lake City, has been elected president of the Association of Reserve City Bankers. Paul E. Hoover, president, Anglo California National Bank, San Francisco, has become the association's new vice-president



# COLOMBIA MEANS BUSINESS

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Head Office: MEDELLIN, COLOMBIA, SOUTH AMERICA

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New York Representative—Henry Ludeke, 40 Exchange Place, New York 5, N. Y.

# BANKING NEWS

The A.I.B.'s President and Vice-president



Martin J. Travers, left, and Stetson B. Harman, right

## Speakers Are Announced for 51st Annual Convention of American Institute of Banking in Cleveland, June 8-12

Speakers representing a wide range of banking and educational activities are included in the program for the 51st Annual Convention of the American Institute of Banking which will be held in the Hotel Statler, Cleveland, June 8-12, according to Martin J. Travers, president of the Institute. He is vice-president, Power City Trust Office, The Marine Trust Company of Western New York, Niagara Falls.

As previously announced by Mr. Travers, the featured addresses at the Convention's two general sessions will be given by W. Harold Brenton, president of the American Bankers Association and president, State Bank of Des Moines, Iowa; and C. Hamilton Moses, chairman of the board of the Arkansas Power & Light Company, Little Rock.

The departmental conferences cover various phases of the banking business, and the Institute conferences are devoted to Institute activities. Departmental speakers and panel members are as follows:

### Institute

**Educational (First Session)—Presiding:** Maurice Allendoerfer, chairman, Educational Advisory Committee; Federal Reserve Bank of Kansas City.

**Speakers and panel members:** Chester C. Lincoln, vice-president, Security-First National Bank of Los Angeles; Bernard J. Lunt, member, Educational Advisory Committee; The Fort Worth (Texas) National Bank, leader; W. Philip McDonald, Commercial National Bank, Kansas City, Kan.; Virginia Parham, Bank of Hampton Roads, Newport News, Va.; Charles Phillips, Citizens National Trust and Savings Bank, Los Angeles; and Harold W.

Wilcox, Society for Savings of Cleveland.

### Departmental

**Trust Business and Investments—Presiding:** J. R. Johnson, vice-president and trust officer, Bank of America, Los Angeles.

**Speakers:** Thoburn Mills, vice-president, The National City Bank of Cleveland; M. A. Georgen, cashier, The City National Bank and Trust Co., Chicago; and Loring L. Gelbach, president, The Central National Bank of Cleveland.

### Institute

**Educational (Second Session)—Presiding:** Mr. Allendoerfer.

**Panel members:** Leroy S. Clark, member, Educational Advisory Committee; The Marine Trust Company of New York, leader; Allen W. Danielson, Bank of America, Los Angeles; Morgan W. Price, Florida Bank of Orlando; Jerry K. Meacham, Jr., The Ohio National Bank, Columbus; and George A. Rogers, The First National Bank of Boston.

**"Campuses Unlimited"** by Dr. Leroy Lewis, national educational director, American Institute of Banking, New York City.

### Departmental

**Savings and Mortgage—Presiding:** Milton Andrews, president, Bank for Savings & Trusts, Birmingham, Ala.

**Speakers and panel members:** Heyward T. Denyes, vice-president, Industrial National Bank, Detroit; William C. Dowd, assistant cashier, Security National Bank Savings & Trust Co., St. Louis; Clarence Edner, assistant to vice-president, The San Francisco

## 12 A.I.B. District Victors in Giannini Public Speech Contests Are Announced

The names of the 12 members of the American Institute of Banking who will compete in the semifinal contests of the Institute's 1952-53 public speaking program, along with the subject on which they will speak, were announced last month by Albert L. Grigsby of the Bank of America N.T. & S.A., San Diego. Mr. Grigsby is chairman of the A.I.B.'s National Public Speaking Committee.

The 12 bankers will compete in two semifinal eliminations to be held in Cleveland, on Sunday, June 7, the day before the Institute's 51st Annual Convention opens in that city. The three high-ranking contestants in each semifinal contest will compete again on Monday evening, June 8, in the finals—the National Public Speaking Contest for the A. P. Giannini Educational Endowment prizes.

The subject to be used for speeches in both the semifinal and final contests is "Banking's Responsibility for Economic Leadership."

### Contestants

The 12 contestants are: Donald K. Trescott, Industrial Trust Co., Providence; Margaret Williams, Security Trust Co. of Rochester, N. Y.; Ralph W. Strain, Peoples First National Bank & Trust Co., Pittsburgh; Harry M. Schoenly, Riggs National Bank, Washington, D. C.; Charles Al. Scarboro, First-American National Bank, Nashville; S. Price Smith, Republic National Bank of Dallas; John P. Quinn, Union Bank & Trust Co. of Los Angeles; Byron Framsted, Bank of America, Lower Lake, Calif.; Richard C. McClintic, United States National Bank, Portland, Ore.; Barbara Pendleton, Grand Avenue Bank, Kansas City; Ronald F. Goodspeed, Marshall & Ilsley Bank, Milwaukee; and Myron L. Sonneborn, Winters National Bank & Trust Co., Dayton.

The prizes are \$500 for first place, \$300 for second place, and \$100 for third place. In addition, the chapter of which the first-place winner is a member will be awarded the A. P. Giannini Memorial Trophy.

Bank; and Julia E. La Bonte, executive assistant, Harlem Savings Bank, New York City.

(CONTINUED ON PAGE 98)

## The Graduate School Ready for Its 19th Session on the Rutgers University Campus

The 19th resident session of The Graduate School of Banking gets underway at Rutgers University, New Brunswick, New Jersey, this summer, with capacity enrolment of 1,045 bank-officer students.

The date is officially June 8-20, a little earlier this year than has been the custom. Members of the graduating class, however, arrive on Saturday, June 6; the juniors come in for consultation all day Sunday with their thesis advisers; and the School gets underway completely on Monday.

This year's students come to the Graduate School from 44 states, the District of Columbia, Puerto Rico, and El Salvador. Their instructors, numbering 67 regular faculty members and 28 special lecturers, are drawn from the fields of banking, law, economics, Government, and education.

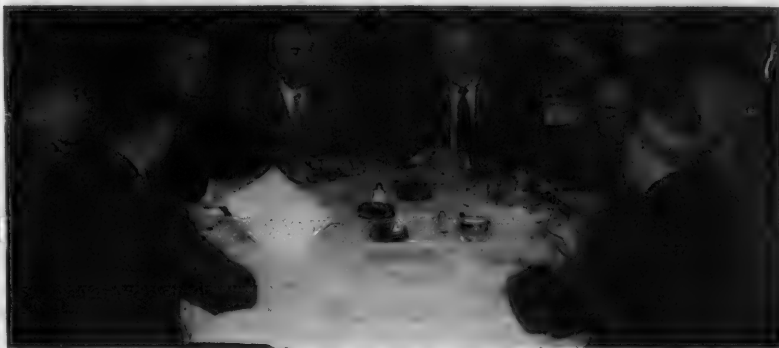
A regular feature of each year's resident session is the two evening seminars. Dr. W. Randolph Burgess, now Treasury Deputy and Consultant on Debt Management, will address the students on Friday evening, June 12. The speaker on Wednesday evening, June 17, will be Dr. T. V. Smith of Syracuse University. This is the seminar which in the past has been held on Monday evening of the second week. Commencement exercises will be on Friday, June 19, when the charge to the graduates will be delivered by Dr. Harold Stonier, director of the School and executive vice-president of the American Bankers Association.

The School still has a backlog of applications for enrolment, around a hundred applications being deferred until 1954. With last year's commencement, the 16th in its history, 3,191 men had received the coveted diploma.

The Graduate School of Banking of the American Bankers Association held its first session at Rutgers in 1935. The course requires attendance at three resident sessions—but the intervening months of those two years are not free time. The students, all bankers of officer rank, must complete problems throughout the winter months and must prepare a thesis, acceptable to a panel of thesis examiners, which is the result of individual research into some phase of banking.

The best of these are placed in the Library of the American Bankers Association, where they may be borrowed for study, and in the financial library at Rutgers University. In addition, for the past three years, the

## At the Recent G.S.B. Faculty Meeting in New York



**Commercial Banking IV**—Clockwise, starting at left: G. Russell Clark, manager, New York Clearing House; Charles E. Agemian, comptroller, Bank of Manhattan, New York; Harold Marshall, executive vice-president, Manufacturers National Bank, Troy, N. Y.; Arthur T. Roth, president, Franklin National Bank, Franklin Square, N. Y.; Carl W. Trempf, vice-president, First National Bank of Boston; William L. Butcher, executive vice-president, The County Trust Company, White Plains, N. Y.; George R. Amy, deputy manager A.B.A. in charge of Country Bank Operations Commission; Harold E. Zarker, vice-president, Princeton (N. J.) Bank and Trust Company



**Faculty of Commercial Banking VI**—Clockwise around the table: Richard W. Trefz, president, Arkansas Valley Bank, Pueblo, Colo.; Edward A. Wayne, first vice-president, Federal Reserve Bank of Richmond; Robert L. Edwards, associate representative, Barclays Bank, Ltd., New York; Joseph M. Naughton, president, Second National Bank, Cumberland, Md.; Dr. John K. Langum, Professor of Business Administration, Indiana University, Bloomington; Dr. J. C. Dockeray, Office of Small Business, Department of Commerce; Melvin C. Miller, A.B.A. deputy manager and secretary, Bank Management Commission; Thomas F. Glavey, second vice-president, Chase National Bank, New York; James E. Baum, A.B.A. deputy manager in charge of Insurance and Protective Committee

### Colorful U. S. Savings Bond Folder Issued by A.B.A.

A red, white, and blue direct mail folder entitled "How You Benefit When You Buy and Hold United States Savings Bonds" has been prepared by the Advertising Department of the A.B.A. for member bank use.

This folder is designed to tie in with the Association's program of stimulating interest in the sale of Savings Bonds to the public.

theses which were accepted for the libraries have been condensed by their authors for inclusion in the book *Present Day Banking*, which is published annually by BANKING.

### Bank Records Safekeeping Booklet in 3rd Printing

*The Retention and Destruction of Bank Records*, an A.B.A. Committee on State Legislation publication, has gone into its third printing.

This booklet is a compilation of six articles by John R. Vincens, of the A.B.A.'s legal staff, which originally appeared in *BANKING*. The articles include timely information on methods and procedures of attacking the books and records problem, both as a defense protective measure and as a peacetime space-saving necessity.

Copies are obtainable at a small charge from the Committee on State Legislation, 12 E. 36th Street, New York 16.



Executive Committee of A.I.B.'s 51st National Convention in Cleveland conferring with National Office officials on plans for the June 8-12 conclave. *Left to right, seated*, National Secretary R. C. Rutherford; Convention Secretary Anne J. Erate (Federal Reserve Bank); Assistant National Secretary Hartwell Davis; General Vice-chairman W. C. Way (Central National Bank of Cleveland); Treasurer and Finance Committee Chairman O. A. Kuhl, Jr. (Central National); General Vice-chairman E. F. Meyers (Union Bank of Commerce); *standing*, General Vice-chairman P. M. Minter (National City Bank of Cleveland); General Chairman D. James Pritchard (Society for Savings); and General Vice-chairman F. J. Waldeck (The Cleveland Trust Co.)

## A.I.B. Convention Speakers

(CONTINUED FROM PAGE 96)

### Departmental

**Credits**—*Presiding*: Elbert L. Frank, vice-president, Mellon National Bank and Trust Co., Pittsburgh.

**Speakers**: Rodgers L. Wyckoff, vice-president, Liberty National Bank and Trust Co., Louisville; E. Lawrence Worstall, president, Robert Morris Associates; vice-president, The Philadelphia National Bank; and Milton J. Drake, vice-president, The Detroit Bank.

### Institute

**Public Relations**—*Presiding*: Henry F. Schaub, chairman, National Public Relations Committee; Merchants National Bank, Mobile, Ala.

**Speakers**: W. H. Neal, senior vice-president, Wachovia Bank and Trust Co., Winston-Salem; Thomas Hooker, The First National Bank and Trust Co., New Haven; Carl Little, The Kanawha Valley Bank, Charleston, W. Va.; Paul L. Boardman, Fletcher Trust Co., Indianapolis.

### Institute

**Women's** — *Presiding*: Lillian M. Jacques, chairman, National Women's Committee; Bank of the Commonwealth, Detroit.

**Speakers and panel members**: Mary B. Larkin, Federal Reserve Bank of Boston; Bessie P. Fadis, Union National Bank, Pasadena; Barbara Pendleton, Grand Avenue Bank, Kansas

City; Katherine M. Baker, LaSalle National Bank, Chicago; Catherine B. Cleary, formerly trust officer, First Wisconsin Trust Co., Milwaukee, and now Assistant Treasurer of the United States; Jackie Greer, First National Bank in Houston; and Madelyn H. Sullivan, Community Savings Bank, Rochester, N. Y.

### Departmental

**Business Development and Advertising**—*Presiding*: Dale Brown, assistant vice-president, The National City Bank of Cleveland.

**Panel members**: Bender E. Gilbert, public relations officer, Erie County Savings Bank, Buffalo; C. Arthur Hemminger, director of advertising and public relations, First National Bank, St. Louis; and L. L. Matthews, president, American Trust Co., South Bend.

### Institute

**Chapter Administration (First Session)**—*Presiding*: Paul E. Jones, chairman, Administrative Advisory Committee; The Indiana Trust Co., Indianapolis.

**Speakers**: Stetson B. Harman, vice-president, American Institute of Banking; First Trust and Savings Bank of Pasadena; Robert C. Rutherford, national secretary, A.I.B., New York City; Osmond A. Burton, chairman, National Membership and Enrolment Committee; Valley National Bank, Phoenix; and Kathryn L. Gannon, chairman, National Publicity Committee; The Detroit Bank.

### Institute

**Chapter Administration (Second Session)**—*Group I*—*Chapters with membership over \$50*—*Presiding*: Emmett J. Erickson, member, Administrative Advisory Committee; Farmers & Mechanics Savings Bank, Minneapolis.

**Panel Members**: Clarence Edner, The San Francisco Bank; Ralph H. Mitten-dorff, American Security and Trust Co., Washington; R. Winston Cagle, West End Office, The Bank of Georgia, Atlanta; L. Bernadine Cale, Central Bank and Trust Co., Denver; and Edward C. McCallie, Kentucky Avenue Branch, The Indiana National Bank, Indianapolis.

**Group II**—*Chapters with Membership under \$50*—*Presiding*: Theodore M. Reinhart, member, Administrative Advisory Committee; Loop National Bank of Mobile, Ala.

**Panel Members**: Marcella Clary, Washington Street Branch, Gary (Ind.) National Bank; Vinel S. Lewis, The First National Bank, Tampa; Paul W. MacDonald, Bank of America, Santa Clara; Carl W. Trehwella, Hartford National Bank and Trust Co.; O. Keith Piggott, Commercial Bank & Trust Co., Jackson, Miss.

### Departmental

**Bank Management and Operations**—*Presiding*: Pierre N. Hauser, vice-president, First Wisconsin National Bank, Milwaukee.

**Speakers**: Emory C. Mower, assistant vice-president, The First National Bank of Boston; Edward J. Damstra, cashier, Chicago City Bank and Trust Co.; and B. P. Allen, president, First National Bank, Milaca, Minn.

Vice-president Stetson B. Harman has been nominated for the presidency of the Institute and since there is no contest his election seems assured.

G. H. Townsends  
(See story Column 3, next page)





## "Condition and Operation of State Banks in 1952" Shows Operating Earnings at a New High; Some Figures Decline

*Condition and Operation of State Banks in 1952*, issued by the State Bank Division of the American Bankers Association, incorporates two studies. Certain of its highlights were given in these columns last month, but the actual earnings figures were not then available. A number of those figures are here quoted from the new publication:

Total current operating earnings of state commercial banks totaled \$2,247,238,000, reaching an all-time high. This item increased \$241,796,000, or 12.1 percent over 1951. Profits before income taxes increased \$91,232,000, or 14.1 percent over 1951, to a total of \$738,749,000.

Interest and dividends on securities on December 31, 1952, totaled \$601,999,000, an increase of \$64,085,000, or 11.9 percent. This item represented 26.8 percent of total current operating income. Interest and discount on loans increased \$158,385,000, or 14.9 percent, to a total of \$1,222,027,000. The percentage of interest and discount on loans to total earnings was 54.4 percent.

The income from service charges continues to be an important source of income. Income from service charges amounted to \$180,260,000, an increase of \$9,627,000, or 5.6 percent. This item represented 8.0 percent of total current earnings.

Other current earnings aggregated \$242,952,000, a gain of \$9,699,000, or 4.2 percent. This item represented 10.8

percent of total current earnings.

The average rate of interest and discount earned per \$100 of loans and discounts was \$5 in 1952, the same as in 1951. This is the average of the rates earned by banks in each state; and, therefore, it gives equal weight to each state. The average rate of losses on loans to total loans and discounts was \$.30, the same as paid in 1951. The average of interest and dividends earned on securities per \$100 of securities in 1952 was \$1.80, compared to \$1.60 in 1951. The average of losses on securities to total securities was \$.20, compared to \$.10 in 1951 and 1950.

At the end of 1952, United States Government securities of all state-supervised banks totaled \$36,869,327,000, an increase of \$502,843,000, or 1.4 percent over 1951. Of this total, \$27,453,342,000 were held by state commercial banks, and \$9,415,985,000 were held by mutual savings banks. Government securities were 34.8 percent of the combined assets of all state-supervised banks.

Other securities held by state-supervised banks aggregated \$9,017,694,000, an increase of \$971,788,000, or 12.1 percent. This item of assets represented 8.5 percent of all assets.

On December 31, 1952, loans and discounts, including overdrafts, increased \$4,129,701,000, or 11.6 percent, to a total of \$39,627,119,000. Of this amount, state commercial banks held \$28,278,224,000, and mutual savings banks held \$11,348,895,000. The percentage of

## G. H. Townsend, A.B.A. Auditor, Succeeds Rooney in Comptrollership Post

As reported briefly last month, G. H. Townsend, auditor of the American Bankers Association, has been advanced to comptroller of the Association by the A.B.A. Executive Council to succeed the late John J. Rooney. The action was taken at the Council's annual spring meeting in The Greenbrier at White Sulphur Springs. (See photograph column 3, opposite page.)

In his new capacity, Mr. Townsend will be comptroller, secretary of the Association's Finance Committee, and secretary of the Board of Trustees of the A.B.A.'s Supplemental Pension Fund.

Mr. Townsend came to the A.B.A. in 1940 from the accounting staff of Hearst Enterprises in New York City, an organization with which he had been identified for several years. Prior to his employment with the Hearst organization, he was associated for a number of years with a stock brokerage firm in New York.

From 1943 to 1945, he saw service in the U. S. Navy, returning to the A.B.A. staff after his discharge. He was named auditor in 1946.

loans and discounts to total assets was 37.4 percent. This is the ninth consecutive year this item has shown an increase.

At the end of the year, cash and reserves, and funds due from banks, totaled \$19,243,108,000, a decrease of \$422,445,000, or 2.1 percent under 1951.

## A.B.A. Officers Greet Banker Appointees to "Ike's" Team at Executive Council Sessions

President W. Harold Brenton (president, State Bank of Des Moines, Ia.), center, talks with Kenton R. Cravens, administrator of the Reconstruction Finance Corporation (story on page 20), and Rowland R. Hughes, assistant budget director (story on page 24). Mr. Cravens was formerly vice-president, Mercantile Trust Co., St. Louis, and Mr. Hughes was vice-president, National City Bank of New York

Vice-president Everett D. Reese (president, The Park National Bank of Newark, Ohio), right, visits with H. Earl Cook, new chairman of the Federal Deposit Insurance Corporation (story on page 21), Ray M. Gidney, comptroller of the Currency (picture story on page 140 MAY BANKING), and A.B.A. Treasurer William B. Gladney (president, Fidelity National Bank of Baton Rouge, Louisiana)



# News for Instalment Credit Men

Items and Comment from Our Instalment Credit Commission and Other Sources

## Bankers Taking Sound and Realistic Action On Instalment Credit Policy

Consumer credit bankers are taking sound and realistic action on policies. As an example, one large West Coast bank recently sent a memorandum to all its auto dealers. It has raised rates to meet increased costs; it is careful to avoid abuses in instalment credit paper; and it intends to do its own policing job to obviate any possibility for a return of governmental controls.

First, this bank announces an increase in its rate, and explains to the dealers why this is being done. Then, to quote:

"Briefly and pointedly stated, the term situation is currently being so flagrantly abused in virtually all quarters, we feel that unless definite and corrective steps are taken at once that all of us could quite logically be placed in a position of inviting the return of governmental credit controls. This we do not want to see. Accordingly, we are attaching a schedule of recommended terms. Your attention is called to new car terms which henceforth will be handled on a 'no exception' basis. In connection with our purchase of used car contracts, we shall endeavor to exercise a policy of reasonable flexibility. However, in instances where exceptions to recommended terms become excessive, we shall have no alternative but to decline to buy such offerings."

### Memoranda to Officers

Another bank which is active in instalment lending distributes memoranda to officers in charge of the instalment loan departments. These memoranda report facts and figures, explain policy, make suggestions. One of these has come to BANKING'S attention—it is dated April 15—and we quote from it here:

"Our loss figures and past dues indicate that over-the-counter lending policies have been reasonably conservative in all offices. Please continue to be completely aware of the need for watching used car values. The spring selling season has not bolstered their prices. Without exception, be very careful in your appraisals of cars in relation to the credit of the individual involved. Past delinquency experience and the switching of borrowing sources are two of the prime evidences of your

## Less Instalment Delinquency Than Last Year, French Says

The following is excerpted from an address to the Ohio Bankers Association by Walter B. French, deputy manager of the American Bankers Association in charge of the Credit Policy Commission:

Delinquencies have been reported on the upgrade in consumer instalment lending by various news agencies. I do not know where the story started or what it is based on, but I do know that so far as banks are concerned it is not true. Delinquencies are actually lower at the present time than they were last year. At the same time, let me say to you, more time and effort are being given to the delinquent borrower than was the case a year ago; and this is the one reason why the record is as good as it is.

Consumer instalment lending has been an important development in banking since about 1934. It has been important not only in income but also in encouraging thousands of people to do business with banks who never did business with them before. It has humanized banking; and more than any other one service, it has made people come to know banks and bankers better.

There is nothing wrong with a big volume of consumer credit. The important question is, are they good loans? . . . Loans that require too much collection effort can be a loss to the bank even though they are eventually paid off.

borrower's debt position. *Over-indebtedness* on personal loans is one of the major reasons for losses, and this type of borrower should be appraised extremely carefully. . . .

"During the past six years we have been guided by the need to develop a profitable volume of instalment business. To the largest measure this need has been filled, and our emphasis now must be on a selective credit policy.

"To constrict instalment lending to the degree that we did not properly serve the many creditworthy individuals and businesses of our respective communities to the extent of our facilities would be out of keeping with our over-all general policies. Selectivity in lending must be to the degree that it embraces the best interests of our bank, the customer, and the dealer where he is involved."

## Welch Sees Not Enough Change in Delinquencies to Cause Any Concern

Paul M. Welch, vice-president of Citizens & Southern National Bank, Atlanta, and chairman of the A.B.A. Instalment Credit Commission, was the subject of a write-up in *Newsweek* for May 11. The magazine notes that the Georgia system of Citizens & Southern—22 banks—now has more than 116,500 instalment loans active, 8 to 10 percent of which are to small businesses. "The ratio of loss as a result of borrowers' failure to pay has been kept down to less than 1/10 of 1 percent," the article says.

To quote further: "Welch is chairman of the A.B.A.'s Instalment Credit Commission, and he has not suffered the nervousness which has led some people to detect an alarming national rise in the delinquency of borrowers. 'There is not enough change . . . to be concerned about,' he says. 'Just a little more collection effort has been necessary.' Businesses, not people, go into bankruptcy, says Welch. "Ninety-eight percent of the borrowers meet payments approximately when due; 85 percent meet payments on the button.

"The money market is tight now—as tight as it was in 1931," says Welch. "But the adjustment ahead will not be a time when banks should reduce or constrict instalment lending—they should rather administer credit needs in a judicious manner, and upgrade their accounts. . . . Instalment lending is one basis of the growth of our country. Mass production is based on instalment lending. . . ."

## Celebrates 25th Year in Personal Credit Field

The personal credit department of The National City Bank of New York celebrated its 25th anniversary on May 4, and marked the event with a banquet at The Waldorf-Astoria. The department was established May 4, 1928.

In the quarter century, \$2.5-billion has been loaned to 6-million persons. The department which started with four employees now has a staff of 1,100. Since the FHA program was launched in 1934, \$223-million has been loaned in this field in 288,000 loans. Some 101,000 individuals have borrowed \$168-million under the GI Bill of Rights.

# News on Savings Banking

Items and Comment from Our Savings and Mortgage Division and Other Sources

## A.B.A. Again Recommends That U. S. Postal Savings System Be Liquidated

The American Bankers Association has renewed its recommendation of previous years to Congress that the Postal Savings System be abolished. At a hearing before the Senate Committee on Post Office and Civil Service, Arthur W. Sands, president, Western State Bank, St. Paul, and chairman of the Subcommittee on Postal Savings System of the A.B.A. Committee on Federal Legislation, testified in support of Senate Bill 573. It was introduced by Senator Bennett, of Utah, and provides for the liquidation of the system.

The continuation of the Postal Savings System is opposed on the grounds that it no longer serves a needful purpose; is in direct competition with private industry; that it required for year ending June 30, 1952 more than \$9.4-million to cover its departmental and full administrative expense; and would have cost the taxpayers at least \$200,000,000 for the past six years had it not been for profits from bond trading.

The U. S. Post Office Department has agreed in principle with the desirability of seeking the liquidation of the Postal Savings System, but has requested an amendment to the Bennett bill which would provide a 10-year period to effect the liquidation.

A second amendment proposed by the U. S. Treasury would authorize the redemption or exchange at par of any securities held by the Postal Savings trustees.

## Four Atlanta High Schools Receive Fulton Nat'l Awards

The Fulton National Bank of Atlanta, whose high school banking program has received nationwide recognition, announced recently that it is presenting rotating trophies to the four high school banks which have shown the highest percentage increase in the student participation in the school banking program.

In the four winning schools, an average of better than 90 percent of the students are depositors in the school bank, according to Erle Cocks, Fulton National president, who commended

## Savings Banking Briefs

### Savings Continue to Grow

The growth of savings in all banks continues at a rapid pace. Savings deposits, according to latest available data, have increased \$1.8-billion on a countrywide basis during the early months of 1953, as against \$800,000,000 in a comparable period last year.

### "Electronics" Study

The Committee on Savings Management and Operations of A.B.A.'s Savings and Mortgage Division will study the growing use and influence of modern "electronic" techniques as they apply to banking accounting methods and procedures. The use of electronic principles in the development of accounting machines will be studied, as well as the possible future use of TV in bank internal operations. Joseph Earl Perry, president of the Newton Savings Bank, Newton, Massachusetts, is chairman of this Committee.

### Audit Control

"Audit Control of Tabulating Savings Deposit Accounting" was the subject of an address made by Otto Salvesen, vice-president and auditor of the County Trust Company, White Plains, New York, at the eastern regional conference of the National Association of Bank Auditors and Comptrollers in Baltimore.

Turn to page 123 of this issue for the principal points made by

Vice-president - Auditor Salvesen.

### Interest Computation Manual

The 20-page manual, *Methods and Procedures of Computing Interest on Savings Deposits*, published recently by the A.B.A.'s Savings and Mortgage Division, describes the six most popular methods of interest computation, with detailed illustrations of procedures. This booklet is available upon request to the Division.

### Liquid Savings

The latest figure on "liquid savings" has been published by the Securities Exchange Commission. It represents the net assets of the American public, after deducting their outstanding mortgages and instalment obligations, and totaled \$478-billion at the end of 1952. This is the largest amount ever accumulated by the people of one nation. On the basis of a population of 159-million this represents an average of a little less than \$3,100 a person, an increase of approximately \$70 for the year.

### Savings Bank Insurance

During April ordinary sales of saving life insurance in New York State amounted to \$2,193,500, the highest since March 1949. Total all-time high of this type of savings in New York on April 30 was \$223,965,355, held by 150,000 policyholders. Group insurance accounted for \$25,483,000.

the students for their excellent work. Cocks points out that 20 high schools participate, with a total enrolment of 22,223 and that over 10,000 students are school bank depositors.

The Fulton National's high school banking program was started in 1949 in six schools on an experimental basis in cooperation with Junior Achievement, Inc. Each school participating has its own banking corporation with a board of directors, officers, tellers, and other necessary clerical assistance. Passbooks, deposit slips, and other office forms identical with those commonly used in banks are provided for the students. Interest is paid on savings.

## U.S. Savings Bonds and Notes Sales and Redemption Trend

(In millions)

	Total Sales	Total Redemptions	Outstanding
1950.....	\$6.074	\$5.343	\$58.019
1951.....	3.961	5.093	57.587
1952.....	4.161	4.530	57.940
1953, Jan.....	504	390	58.134
1953, Feb.....	414	320	58.268

Source: Federal Reserve Bulletin.

New York savings banks report near-record gain in deposits of \$75,848,000 for April. This makes 12-month gain of \$1,188,000,000; increase of 53% over previous year.



# News for Mortgage Credit Men

Items and Comment from Our Savings and Mortgage Division and Other Sources

## Mortgage and Housing News Briefs

### Storage Unit Booklet

The Small Homes Council of the University of Illinois has added another useful bulletin to its growing list of circulars on home planning and construction. The most recent—*Household Storage Units* (Index C 5.1)—includes a discussion of: Adequacy of storage space, accessibility, storage units — dimensions, standardization to three depths, storage walls — and facilities to accommodate a long list of clothing, household gear, entertainment and sports equipment, etc.

### Audit Control

Kenneth L. Birchby, auditor of the Jamaica (New York) Savings Bank, spoke at the recent eastern regional conference of the National Association of Bank Auditors and Comptrollers in Baltimore on "Audit Control of Mortgages."

Turn to page 106 for some of the highlights of his paper.

### Credit Controls

All credit controls which were applied to FHA and GI loans at the beginning of the Korean war, and prior to Regulation "X," now have been removed. Previous emergency schedules of "Maximum Mortgage Amounts" and "Minimum Downpayments" no longer apply.

Maturity and loan-to-value ratios revert to statutory limits. For FHA loans this means 20-year ma-

turities and 20 percent downpayments on the popular Title II loans, with the top limit on one-family homes increased to \$16,000. For veterans' loans downpayment restrictions are removed and maturities up to 30 years permitted.

### New Housing Starts

The revised total of new housing starts for 1952 has been announced by the Bureau of Labor Statistics, at 1,127,000 for the year. This is 35,700 units higher than in 1952 and is the second largest number of housing starts recorded in one year since the big building spree began following World War II.

Housing starts for April 1953 are estimated at 110,000, an increase of 4 percent over April 1952. For March new housing starts were 97,000, up 26 percent from the previous year.

### 13-Year Mortgage Expansion

Mortgage loans outstanding on one-to-four family nonfarm houses increased from \$16.3-billion in 1939 to an estimated \$58.2-billion at the end of 1952, a rise of 257 percent, according to the Institute of Life Insurance. The increase during this 13-year period was divided as follows:

Life insurance cos.	692%
Commercial banks	437
Savings and loans	386
Mutual savings banks	190
Individuals & others	89

## Standard Home Building Cost Survey Shows Relative Data

The FHA has completed a survey of the cost of building a 5-room, one-story, frame dwelling with two bedrooms in approximately 70 insuring areas throughout the country. Its purpose was to demonstrate the differences in costs of construction, and also to be a guide in determining data to be used in future cost estimating. The home on which the estimate was based was a small, typical home, without basement, and with all heating facilities eliminated in the calculations.

The area of highest construction cost

was in Springfield, Illinois, with \$8,636, followed by Buffalo, New York, at \$8,552. There were nine other areas where estimated cost exceeded \$8,000.

The lowest cost area was Long Beach, California, at \$6,152. There were three other areas where the cost was less than \$6,500, and 38 where the cost was between \$6,500 and \$7,500.

The estimates were obtained from one city in each area served by a FHA insuring office in U. S. It also represented the area in which the greatest number of applications originated.

## FHA, VA Interest Rates Now 4½%; Hike Inapplicable to Military, Coöperative, Defense Units

The Federal Housing and Veterans administrations announced on May 2 that the maximum interest rates on FHA and VA loans would be raised to 4½ percent.

In a telegram to all FHA field offices Commissioner Hollyday stated:

"Effective immediately the maximum interest rate allowable under Sections 203, 603-10, 903, and Title I Section 8 is amended to 4½ percent per annum and the maximum interest allowable under Section 207 and Section 608-10 is amended to 4½ percent per annum. Upon request of mortgagee new maximum rates will apply to applications in process and commitments outstanding."

The increased rate on FHA loans does not apply to military, defense, or cooperative housing upon which the rate of 4 percent is fixed by statute.

The rate of 4½ percent on veterans' loans is effective after May 5, 1953. All presently existing loans will continue at the 4 percent rate, and the increase would not apply in cases where a veteran had previously received a commitment from a lender at the lower rate.

This action culminates a period of uncertainty with regard to adjusting interest rates on Government guaranteed and insured mortgages to the increased rates prevailing on other investments.

## Classification of Mortgage Portfolios

(In millions)

	FHA	VA	Conventional	Total
<b>Commercial Banks</b>				
1951.....	\$3.421	\$2.921	\$4.929	\$11.270
1952.....	3.675	3.012	5.501	12.188
<b>Mutual Savings Banks</b>				
1951.....	2.567	1.726	4.303	8.595
1952.....	3.198	2.116	4.527	9.841
<b>Savings and Loan Associations</b>				
1951.....	0.864	3.125	11.530	15.520
1952.....	0.906	3.398	14.136	18.444
<b>Life Insurance Companies</b>				
1951.....	5.257	3.131	9.399	17.787
1952 (a).....	5.700	3.350	10.550	19.600

Source: Federal Reserve Bulletin.  
(a) Preliminary.



## Home Mortgage Debt Has Tripled Since End of WW II

The outstanding home mortgage debt in the United States rose by \$6.2-billion in 1952, to the record figure of \$58-billion at the year end, according to estimates of the Home Loan Bank Board. The report covers mortgages on one to four-family nonfarm houses.

The year's growth of indebtedness is somewhat smaller than in 1951 or 1950, but greater than for any other previous year. Each of the major types of lenders participated in the increase of mortgage portfolios in 1952, as shown in the table below.

The figures presented begin with the year 1939, since which time the balance of mortgage debt has grown by over 250 percent. This is about equal to the rise in personal incomes in the nation during that period. The debt has tripled in size since the end of World War II.

The table in the next column presents the estimated total debt outstanding at the end of 1952 and 1951 and its distribution among lenders.

Type of Mortgagee	Amount		% of Total
	1952p	1951	
	(Amounts in millions of dollars)		
Savings and loan associations	\$17,590	\$14,801	30%
Life insurance companies	11,800	10,814	20
Mutual savings banks	6,180	5,331	11
Commercial banks	11,250	10,275	19
Individuals & miscellaneous lenders	9,125	8,833	16
Federal National Mortgage Association	2,210	1,818	4
Total	\$58,155	\$51,872	100%
p—Preliminary.			

Recordings by type of lender were:

	January 1953	% Change from January 1952
	(Amounts in thousands)	
S & L associations	\$476,706	+18
Insurance cos.	111,469	-10
Commercial banks	278,003	+4
Mutuals	92,827	+17
Individuals	220,072	0
Miscellaneous	221,538	+9

## 6 National Housing Leaders Named to FHA Committee

The appointment of an FHA Advisory Committee of six national housing leaders has been announced. The members are Fritz Burns, Los Angeles builder; E. A. Camp, Jr., Birmingham, Alabama, mortgage financing specialist; Walter Gehrke, Detroit mortgage loan correspondent; Philip M. Klutznick, Forest Park, Illinois, builder; H. J. Mendon, vice-president, California Bank, Los Angeles, and immediate past president of the California Bankers Association; and James Rouse, Baltimore, Maryland, slum clearance specialist.

Mr. Rouse will serve as chairman of the committee, which will explore the possibilities of greater contributions through FHA efforts to improve housing conditions and home financing methods. It will attempt to obtain, by completely voluntary effort, the development of broader and more effective use of FHA home financing insurance plans.

# News for Trustmen

Items and Comment from Our Trust Division and Other Sources

## George P. Jochum Suggests Document Examination and File Procedure When Trusteeship or Agency Account Is Opened

"Audit Control of Corporate Trusts" was the subject of an address by George P. Jochum, assistant vice-president of the United States Trust Co., New York, at the eastern regional conference of the National Association of Bank Auditors and Comptrollers in Baltimore.

"We all know," he said, "that a satisfactory control within the corporate trust department simplifies the work of the auditor, provided, that by means of the auditor's stubs, tickets, or other such prenumbered media, the auditor is always aware of the progress of each transaction."

While stressing the importance of the initial examination of documents upon receipt of an appointment as trustee or agent, he stated:

"It should be the responsibility of the auditor to examine the documents in connection with the appointment of the trustee or agent and to satisfy himself that all documents have been received and are in order. Necessary documents should include approval of governing authorities; certified copies of the by-laws of the issuing corporation and the minutes of the board of directors' meeting authorizing the in-

debtedness and issuance of the stocks or bonds; a certified copy of the indenture including a specimen of the security to be issued; specimen signatures and certification of the appointment of authorized signors; the legal opinion where necessary; and minutes of the board of directors of the bank or trust company accepting such appointment as trustee or agent.

"The abstract of the instrument appointing the trustee or agent should receive careful perusal, to verify that all records set up by the corporate trust department conform with the instrument. The abstract should include the amount of the issue; description and possibility of substitution of collateral; the amount authorized, authenticated, issued, unissued, canceled and cremated; sinking fund provisions; and schedule of fees.

"Having ascertained that the abstract is complete, the auditor should verify that proper ledger accounts, both property and cash, have been set up. Special attention should be given to tickler files so that future duties and responsibilities may not be overlooked.

(CONTINUED ON PAGE 104)

## Will Suggestion Booklet Released by Manufacturers

The Personal Trust Department of the Manufacturers Trust Co., of New York City, has published and distributed a little booklet titled *Practical Suggestions about your Will*.

In a foreword Manufacturers states that over the years it has "seen how much a well-drawn will can contribute to the peace of mind and financial security of the family it protects. On the other hand, we have often seen the disappointments, hardships and costly, needless expense that families have suffered when there is no will—or when the will that is left is out of date."

Suggestions in the booklet were developed by the bank and approved by members of the Bar.

## Women Ask Bank for More Trust—\$ Management Facts

A four-session Finance Forum for Women offered by the St. Joseph Bank and Trust Co., South Bend, Ind., had an aggregate attendance of 2,000, according to President B. K. Patterson. He reports that the women displayed interest in all phases of economic subjects discussed and requested more meetings of this type.

## Estate Planning Conference Held at Mississippi U

An Estate Planning Conference for attorneys, accountants, trust officers, and life insurance underwriters was held at the University of Mississippi, University, on May 1-2. The Mississippi Bankers Association was a co-sponsor.

Among the topics that were explored: Estate and Gift Taxes, Estate Planning Research, Presentation and Ex-

ecution of the Plan (drawing the will and establishment of the trust), Probate of the Will, Audit of Estate and Gift Tax Returns (Federal and Mississippi), Role of Inter Vivos Trusts in Estate Planning, and Advantages of a Corporate Fiduciary.

A banquet follows the first day's discussions and a luncheon at noon on the second day concluded the sessions.

Bankers participating in the conference program included: O. T. Harvey, assistant trust officer, First National Bank & Trust Co., Vicksburg, and president, MBA's Trust Division; R. L. Hagaman, Jr., vice-president and trust officer, First National Bank, Jackson; and Noel L. Mills, trust officer, Deposit Guaranty Bank and Trust Co., Jackson.

### Document Examination

(CONTINUED FROM PAGE 103)

Adequate files should include those for documents, signature cards, tax and insurance reports, financial statements of the corporation, and such statements and confirmations to the corporation as are required.

"Immediately upon receipt of any collateral for a bond issue, the auditor should examine it and compare the count and description with the abstract and ledger accounts. At that time it may be found expedient for the auditor to package and seal the items so that they would not have to be recounted and reexamined at a later date. Just a verification to see that the seal had not been tampered with would constitute a later examination.

"As bonds or stock certificates constituting the issue are received from the corporation, the auditor should count and examine them, comparing his count to the authorized issue and see that they are properly signed and sealed. I suggest that at the time of counting and examination that the auditor ascertain that the sequence of numbers has been noted in the abstract for both authenticated and unauthenticated certificates or bonds so that the issue is under complete control."

### Los Angeles A.I.B. Holds Series of 4 Trust Forums

"Trust Highlights For You and Your Customer"—a series of four meetings sponsored by Los Angeles Chapter, American Institute of Banking were held this spring at 7 P.M. at the chapter's headquarters. Adolph Szevery, Federal Reserve Bank, is chairman of the chapter's forum committee.

The topics and speakers were: "Trust Functions," by G. H. B. Kane, assistant trust officer, California Trust Co.; "Administration of Estates," by A. T. Hartwell, Jr., assistant trust officer, Union Bank & Trust Co. of Los Angeles; "Living Trusts," by T. B. Williams, vice-president and trust officer, Security-First National Bank of Los Angeles; "Recognizing A Trust Customer," by E. A. Dupre, Jr., assistant trust officer, Bank of America, Beverly Hills.

## Illinois BA Will Hold 8th Trust Development School

The 8th annual Trust Development School of the Illinois Bankers Association's Trust Division will be held on the downtown campus of Northwestern University on August 10 to 23, with the School of Commerce cooperating.

The course extends over a three-week period and is open to trustmen from coast to coast, although up to May 15 preference was given to Illinois registrants.

The faculty is composed of 38 members, consisting of experienced and able Northwestern professors, trust officers, and practicing attorneys specializing in estate and probate matters.

Inquiries should be sent to IPA at 105 West Monroe Street, Chicago 3, Illinois.

## Farm Management As a Trust Service II

NOEL T. ROBINSON

*This is a continuation of comments made by MR. ROBINSON at the Kansas Bankers Association's Trust Division Conference. In this installment he talks about what is expected of the farm manager. The speaker is vice-president and trust officer of the Central National Bank & Trust Co., Des Moines.*

Men who handle their farming operations as a business, are obliged to keep constantly abreast of the times, in fact they must keep several paces ahead, and a good farm manager still has big tasks ahead of him which must be worked out either by his individual effort or in conjunction with state and Federal government departments. They are faced with the necessity for maintenance and often for the increase of crop-producing power of the land, whether this be by addition of plant foods, which include organic matter, and in general must have a thorough knowledge of all of the costs of production.

Farm management is also concerned with the marketing of crops, the proper sale of which determines the profit ability of the producer. Earnest inquiry into market methods and conditions soon leads the investigator to realize that marketing vitally affects the consumer as well as the producer.

The farm manager should also be interested in his tenant, with consideration given as to the capital requirements of the tenant, the

labor income, and in general, the things necessary to govern the relationship between landlord and tenant. No one expects the farm manager to be a lawyer, or even to be able to answer a large number of legal questions. An understanding of law as it affects the farm and business operations, should be considered an essential part of his equipment. It is always advisable to consult a good lawyer when necessary, as in the long run, this would be less expensive and more satisfactory than to attempt to handle a problem by one's self.

Of some 6-million farms in the United States, about 10 percent are handled by managers, some are relatives of the owners, while a goodly number are recruited from agriculture schools and colleges.

Farming is as much of a business as selling merchandise, running a railroad, or importing goods, and is subject to economic influence, and the farmer must realize that, as such, he is also essentially a businessman, with this difference: the farm manager brings his experience gained on many farms to benefit one particular farm.

It is the duty of the farm manager to direct farm operations to assure the owner the greatest net profit from his investment, while at the same time conserving the farm's natural resources in a long-range program and thus protect the interest of future generations.

## Official Pamphlet of Trust Department Function Issued

The Planters National Bank and Trust Co., of Rocky Mount, North Carolina, has prepared an "Official Pamphlet of The Trust Department" for the guidance of its officers and for distribution to customers, present and prospective, and their attorneys and advisers.

This booklet includes information on (1) "Historical Background of a Trust Institution"; (2) "Basic Needs for the Bank's Services as Executor," etc.; (3) "Services Offered by the Trust Department"; (4) "A Statement of the General Policies for the Conduct of the Bank's Trust Business"; (5) "Compensation for Trust Service"; and (6) "Suggested Form of Appointment of The Planters National Bank and Trust Co., as Executor and Trustee."

Gilbert T. Stephenson, former director of the Trust Research Department of the A.B.A.'s Graduate School of Banking, is a member of Planters' board of directors. He has long advocated manuals of this type.

Pennsylvania Bankers Association Trust Development School planners. *L. to r.*, A. M. McNickle, vice-president, Fidelity Trust Co., Pittsburgh; chairman, Trust Development Committee; and member A.B.A. Trust Information Committee; Paul C. Wagner, vice-president, Fidelity - Philadelphia Trust Co., and chairman, PBA's

Trust Division; Robert A. Bodine, trust officer, The Real Estate Trust Co., Philadelphia, who was the school's originator. Two hundred Keystone bankers attended the Harrisburg sessions



## Kansans Get Practical Ideas

John E. Kirk, vice-president and trust officer, National Bank of Topeka, surveyed Sunflower State trust company advertising before speaking on "How Trust Officers May Assist Law-

yers," at the Kansas Bankers Association's Trust Division Conference. He reviewed booklets issued by 14 Kansas banks doing a trust business and showed how they were "doing a job" in creating better relations with the Bar.

## CALENDAR

### American Bankers Association

June	8-12	American Institute of Banking, Annual Convention, Cleveland, Ohio
June	8-20	Graduate School of Banking, Annual Session, Rutgers University, New Brunswick, New Jersey
Sept.	20-23	79th Annual Convention, Washington, D. C.
Oct.	28-29	Western Regional Trust Conference, San Diego, Calif.
Nov.	5-6	Mid-Continent Trust Conference, Drake Hotel, Chicago
Nov.	16-18	National Agricultural Credit Conference, Chicago
Dec.	6-8	Southern Secretaries Conference, Jung Hotel, New Orleans
1954		
Feb.	8-10	35th Mid-Winter Trust Conference, Hotel Waldorf-Astoria, N. Y. C.

### State Associations

May 30-	June 4	Maryland, Cruise aboard the S.S. <i>Queen of Bermuda</i>
June	2-4	Illinois, Jefferson Hotel, St. Louis
June	6	Connecticut, Griswold Hotel, Groton
June	7-9	Idaho, The Lodge, Sun Valley
June	10-14	Dist. of Col., Claridge Hotel, Atlantic City
June	14-16	Washington, Empress Hotel, Victoria, B. C.
June	11-13	Mass., New Ocean House, Swampscott
June	12-13	New Hampshire, Wentworth-by-the-Sea, Portsmouth
June	12-13	New Hampshire Savings—as above
June	12-13	Wyoming, Connor Hotel, Laramie
June	15-17	Minnesota, Nicollet Hotel, Minneapolis
June	18-20	Montana, Canyon Hotel, Yellowstone National Park
June	18-20	Virginia, The Homestead, Hot Springs
June	19-20	Vermont, Equinox House, Manchester
June	21-23	Oregon, Eugene Hotel, Eugene
June	22-24	Wisconsin, Schroeder Hotel, Milwaukee
June	26-27	Michigan, Pantlind Hotel, Grand Rapids
June	26-27	West Virginia, Greenbrier Hotel, White Sulphur Springs

June	26-27	New Jersey Mutual Savings, The Monmouth Hotel, Spring Lake
June	26-28	Maine, Poland Spring House, Poland Spring
July	6-7	Central States Conference, Pfister Hotel, Milwaukee
Aug.	8	Nevada, Las Vegas
Aug. 30-	Sept. 1	Maine Mutual Savings, Poland Spring House, Poland Spring
Sept.	10-12	Massachusetts Mutual Savings, Mt. Washington Hotel, Bretton Woods, N. H.
Oct.	14-15	Connecticut Mutual Savings, Mountain View House, Whitefield, N. H.
Oct.	17-23	New York Mutual Savings, Havana Cruise aboard S.S. <i>Nieuw Amsterdam</i>
Oct.	18-20	Kentucky, Brown Hotel, Louisville
Oct.	18-21	Iowa, Fort Des Moines Hotel, Des Moines
Nov.	10-11	Nebraska, Fontenelle Hotel, Omaha

### Other Organizations

May	11-13	National Association of Mutual Savings Banks, Annual Convention, Shoreham Hotel, Washington, D. C.
July 27-	Aug. 8	FPRA School of Financial Public Relations, Northwestern University, Chicago campus
Sept.	21-24	Association of Bank Women, Annual Convention, Shoreham Hotel, Washington, D. C.
Oct.	11-14	Robert Morris Associates' Fall Conference, Chalfonte-Haddon Hall, Atlantic City
Oct.	11-15	Financial Public Relations Association, Annual Convention, Sheraton-Cadillac Hotel, Detroit, Michigan
Oct.	18-21	Consumer Bankers Association, The Cavalier, Virginia Beach, Va.
Oct.	19-22	Annual Convention, National Association of Bank Auditors & Comptrollers, Hotel Roosevelt, New York City
Nov.	9-13	Mortgage Bankers Association Annual Convention, Miami Beach, Florida
Nov.	16-18	40th National Foreign Trade Convention, National Foreign Trade Council, Inc., Waldorf-Astoria, New York City



# Audit Control of Mortgages

*Audit practices for handling interest and principal payments on mortgage loans were outlined by KENNETH L. BIRCHBY, auditor, Jamaica (New York) Savings Bank, at the eastern regional conference of the National Association of Bank Auditors and Comptrollers, held in Baltimore. Here is a condensation of his outline.*

THE accounting record must indicate the correct sums due for principal, interest, and escrow. This information should be entered on the accounting card by someone other than accounting department personnel.

If bills are submitted to the mortgagors, they should show the sum due for principal and interest, and the current principal balance. This bill should also carry a notice to the mortgagor to contact the auditor if the principal as indicated disagrees with the mortgagor's record. These bills should be run and proven to the mortgage principal control and the interest proven to the interest accrual control. The proof bills should be made by someone other than accounting department or mortgage servicing personnel, preferably by the audit department, and then be mailed by the proving individual. The accrual system for the control of the interest need not be set up in the general books, but may be only a memorandum record.

If coupon books are used, the same audit is not available; however, all control is not lost. At least once a year a statement should be sent to the mortgagor reflecting the status of his account. It should show all receipts and the distribution to interest, principal, and escrow, and the disbursement made by the bank for taxes, etc. The mailing of these statements should be controlled by audit after all principal and escrow balances have been proven, and they should be mailed by audit with a request that audit be contacted if there is any discrepancy between the statement and the mortgagor's record.

The best audit of mortgage principal and receipts is direct verification; if possible the bank should periodically ask some of the bor-

rowers to sign a verification of their balances. If this is not always possible, the bank at least should control the billings, indicating the principal sum due, and on loans paid by coupon, send annual statements.

Again, segregation of duties is important in the control of the receipts of interest and principal payments. The activities should be dispersed so that one individual is assigned the responsibility of receiving payments, a second the posting of accounting records, a third the proving and mailing bills, and a fourth the servicing for arrears.

It goes without saying that periodically the individual loan cards should be run and proved by a disinterested person.

THERE should be a cardinal rule in any bank that a check made payable to the bank should not be cashed; if cash is required, the check should be deposited and credited to an account on the general books, and one of the bank's checks should be drawn in exchange.

A control should be maintained for all satisfied mortgages. This may be a log, and whenever a sat-

isfaction piece is executed by bank officers they should indicate in the log the loan number, borrower, amount to be paid, etc. Subsequently audit should follow for the receipt of funds according to this log.

Under another method, when a request is made for the satisfaction of a loan the mortgage servicing department initiates a multiple form giving the loan number, the borrower's name and address, and the date the mortgage is to be satisfied. This form is then routed to the accounting department which fills in the necessary figures.

THE accounting department will retain one copy and attach it to the ledger card as a flag to indicate that the loan is to be satisfied. This form, together with the mortgage file, is then routed to the attorney, who draws the satisfaction piece. The file and form then go to two officers who execute the piece and sign and date the audit copy of this form. The last signing officer extracts the audit copy and routes it directly to the audit department which then follows through to see that the funds have been received.

## A.B.A. Films Widely Used

OVER 75 new prints of the five motion pictures in the A.B.A. high school film series were purchased in a three-week period by member banks, bank groups, A.I.B. chapters, county and state associations, and clearing house associations.

Member bank utilization of the film program becomes more widespread with each passing month. Comment cards and reaction letters indicate an increasing appreciation of the program. For example, John J. Heflin, secretary-manager of the Memphis Clearing House Association, writes in respect to a recent purchase:

"We are glad to have done it and the Board of Education appreciates cooperation on our part. Please keep us advised of any later films . . . we may be interested in making other purchases."

Here are other current reactions selected at random:

"May I say that it ('Money Talks') is an excellent picture, was watched with rapt attention. I am sure it will make a real contribution to the continued success of the young men who saw it."—*The London Life Insurance Company, London, Ontario.*

"The local chapter is using these films in seven high schools of the local area and over 10,000 high school pupils have viewed these films in the past three years the program has been in operation."—*Northumberland County Chapter, A.I.B., Pennsylvania.*

"Very good for showing prospective teachers what materials are available in the banking field."—*New Jersey State Teachers College.*

"Fine film for business training class. Very educational."—*Illinois High School.*





## Can you profit by our experience?

Are you ready to meet the next problem heading toward your door—the customer with important financial questions requiring special resources of information and experience?

Take advantage—as thousands of our correspondent friends throughout the country do—of the many ways we can assist you in broadening

the range of your activities, to help you profit from increased services to your customers.

We can provide you with comprehensive facilities designed to take care of your every banking need. Usually, a telephone call is all that is necessary to establish this valuable correspondent connection.

## Manufacturers Trust Company...

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Member Federal Deposit Insurance Corporation

# Banking—on Teen Agers

JUNE JOHNSON

*The author is education editor of The American, Waterbury, Connecticut.*

**T**EEEN AGERS have money to spend—and to save—these days.

The Collector of Internal Revenue in Waterbury, Connecticut, reports this year that there are more teen agers than ever before making out income tax returns. While the greater number of these youngsters earn under \$600 a year, some of them earn well above that figure, and all while they are regularly attending their high school classes.

The question is partly how this situation affects banks, and partly how banks affect the situation.

Waterbury Savings Bank, seeing teen-age income speeding by at a souped-up jalopy rate, shifted into high gear this year and chased the youngsters. Its expanded school savings program not only publicized a banking service, but also sent out a full-time public relations specialist from this department to educate school children to banking.

Using films, conducting guided tours of the bank, helping teachers to shortcut their methods in promoting and recording school savings, and appearing in the classrooms to talk on banking and to answer student questions, Parker Fleming, director of the program, spanned the void between a young person's school world and the bank's adult commercial world.

He reports that out of 9,902 early teen agers in the upper elementary grades who are eligible to bank, 6,870 are taking advantage of the program. Total receipts, \$150,606.44 for the school year 1951-52, are substantially higher this year. That's big business for small people.

**T**HE keynote of this program, as Mr. Fleming stresses it, is not the amount banked but the goal of getting the mass of students to save—and to save regularly. This is the educational strength of the bank's

program and it insures the ready cooperation of school officials who have the same aim in mind.

The method is simple. Homeroom teachers collect and record once a week the amount to be banked by each student. The principal's office receives each homeroom sum in an envelope, totals the sums, and makes out a deposit slip which a bank messenger collects along with the money on the same banking day.

Deposits are recorded in each child's name at the bank and the total individual deposit is made available to the child and his parents at Christmas, Easter, and graduation time. If parents and children decide not to spend the money but to put it in a regular savings account, the money begins to work receiving 2½ percent interest just as do the regular deposits of an adult.

**R**ECENTLY the bank celebrated its school savings program with a dinner attended by bank officials, school board and departmental staff, and newspaper staff members. Edwin G. Northrop, president of the bank, and Mr. Fleming announced at the dinner an essay contest, "Why I Should Take Part in the School Banking Program," to be held in the elementary schools. Prizes were offered of a trip to New York City, with The Guaranty Trust Company there as host for the day. The contest was taken as another way of building banking education into regular classes, such as English.

Schools themselves are grappling with the new economic cast in the life of the teen ager.

Many public high schools allow students to leave half an hour early in the afternoon so they may take part-time jobs in city stores and offices. The technical high school in Waterbury, wherever possible, hires staff members who also are employed in local industry and in this way builds liaisons toward student placement both before and after graduation.

At Waterbury Catholic High School, Sister St. Thomas a few

years ago dealt so ingeniously with a growing necessity in school economics that the school now finds itself in the educational *avant garde* of a socio-economic trend in the lives of most teen agers.

Her problem at that time was a staff too busy to manage school finances adequately. Her solution was to build a bank within the school and to staff it with her students.

Today the bank has a student president who is totally responsible for all money deposited. The president, with her father, is bonded for \$500. Her job is to make loans and okay withdrawals, and when a student's bills are long overdue, the president is empowered to pay those bills in the girl's name.

The vice-president assists in bank transactions, and two dozen girls trained in Sister St. Thomas' book-keeping class keep records and help in the operation of the bank.

During banking hours savings are deposited by the students toward graduation and current school expenses; money is withdrawn as students pay their bills; cafeteria and school supplies are purchased; collections for Red Cross and other drives are kept.

**P**HYSICALLY the bank has a teller's stall with all a professional teller's equipment which was donated by the Waterbury Citizens and Manufacturers Bank. There are filing cabinets, ledgers, bookkeeping and adding machines, special lamps, and a cashbox or vault. The architect was Louis Fucito of Waterbury, who planned the bank with Sister St. Thomas.

Banks facing and solving the growing problem of a youngster's need for their help find that they are developing a rich vein of economic resources in their own programs. And they are realizing that teen agers who are educated to banking operations involving saving, judicious spending, and wise investing become rewarding bank customers in their adult life as businessmen and property owners.

# Allis-Chalmers Progress

## 1952 REPORT

(December 31)

	1952	1951
Sales Billed and Other Income	\$516,116,741	\$459,269,626
Profit for Year	24,457,855	22,416,813
Per Share of Common Stock	7.98	8.19
Preferred Dividends (\$3.25 per share)	877,860	1,159,279
Dividends Paid to Common Shareholders	11,181,923	8,890,028
Per Share of Common Stock	4.00	3.50
Profit Retained	12,398,072	12,367,506
All Taxes	50,001,972	56,314,892
Wages and Salaries	147,331,381	135,018,337
Total Assets	359,497,576	315,762,492
Total Liabilities	155,159,360	127,708,733
Net Worth	204,338,216	188,053,759
Number of Employees	37,027	36,650
Common Stock Outstanding (shares)	2,955,339	2,595,102
Number of Common Shareholders	29,989	25,425

### CHIEF PRODUCTS

**Tractor Division:** Farm Tractors, Implements, Harvesters, Crawler Tractors, Motor Graders, Motor Scrapers and Motor Wagons.

**General Machinery Division:** Steam, hydraulic, marine and gas turbines; electric generators, motors, controls; steam condensers, transformers, switchgear, regulators; pumps, blowers, crushers, cement kilns, mining and processing machinery.

**Plants:** West Allis, Wis. Springfield, Ill.; La Crosse, Wis.; Terre Haute, Ind.; Cedar Rapids, Iowa; Norwood, Ohio; LaPorte, Ind.; Pittsburgh, Pa.; Boston, Mass.; Gadsden, Ala.; Oxnard, Calif.; Foreign: Eling, England; Essendine, England; Lachine, Quebec and St. Thomas, Ontario

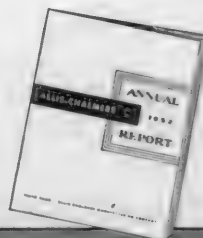
### From the President's letter to shareholders:

"When present commitments on capital expenditures for modernization and expansion of facilities are finished, we will have, since 1946, expended just under \$100,000,000 on this program . . . This investment will have important influence on our operations in 1953 and future years."

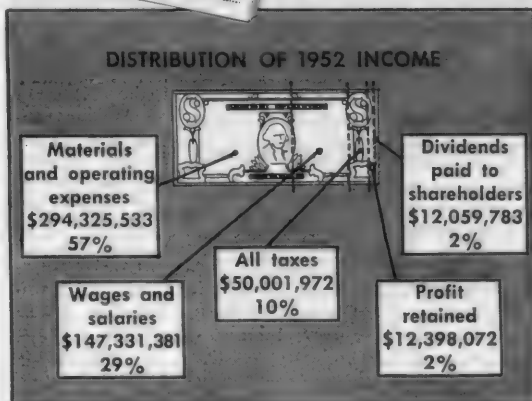
"Backlog as we begin 1953 is approximately \$325,000,000. As this is written, the overall economic outlook for the year does not appear favorable for setting new records. However, sales for January and February are only slightly below last year and at this time we think we have a 'fighting chance' to approach 1952 results for the complete 1953 period. In any event, '53 promises to be an interesting and active year."

*W. A. Roberts*  
President

## ALLIS-CHALMERS



Copies of the Annual Report may be obtained by writing Allis-Chalmers, Shareholder Relations Department, 1175 South 70th St., Milwaukee 14, Wis.



# Remington Rand Methods News



This machine, developed after extensive research into the bookkeeping needs of American business, represents today's best buy for clerical savings.



The CYCLE-MATIC SAFE-DESK, shown here in a midwestern bank, gives certified fire protection at point-of-use for irreplaceable customer records—plus clerical efficiency and convenience in handling cycle billing records.

## How One Bank Operates a Profitable Bank Retail Charge Account

When a midwestern bank went into the new Credit Card System of handling discounted receivables for local stores, they made a thorough study and adopted the most efficient retail bookkeeping methods available. They decided on cycle billing to spread the work through the month, eliminating month-end confusion and overtime. And they chose the Cycle-Matic method to speed the location of accounts for credit authorization and stuffing of charge tickets as forwarded from

member stores. Also, for 24-hour point-of-use fire protection, they house these vital records in a Remington Rand insulated Cycle-matic Safe-Desk.

Cycle billing statements and ledgers may be posted at high speed on the new Remington Rand LOW-COST bookkeeping machine. Statements and charge tickets may then be microfilmed before mailing on a Remington Rand Dual Film-a-record, the all-purpose microfilming machine.

Remington Rand offers you not only the experience and equipment, but also special services to help you establish a Bank Retail Charge Account System.

## New LOW-COST Bookkeeping Machine Handles Mortgage Loan and Trust Accounting Work of Small and Large Banks Profitably

LOW initial cost and LOW clerical cost means that any financial institution can have completely mechanized bookkeeping with all its advantages. And a wide variety of bank bookkeeping operations may be accomplished with speed, legibility and accuracy by the new Remington Rand LOW-COST Bookkeeping Machine.

**Mortgage loan records**—including FHA insured loans—are produced simply and accurately. Identical entries are simultaneously posted to Borrower's Ledger, Mortgage Holder's Accounts Payable Ledger, Mortgage Holder's Remittance Advice, Daily Journal.

**Trust accounting costs** may be materially reduced by proper machine methods. Fully identified transactions are recorded with touch-method ease, speeding inspections by state and federal examiners. Costly duplication of effort is virtually eliminated. For more distribution columns, you simply add registers; no mechanical change in the machine being required.

**Loan and discount accounting.** The Liability Journal (Note or Discount Register) is produced as a by-product of simultaneous entries to the note notice, maturity tickler and liability ledger. All records are up-to-date and in perfect agreement. New balances are automatically computed and daily proof is provided for all figure entries.

**Certified checks** are also handled quickly with the new machine. The Debit Memorandum and Certified Check Register are both produced in one efficient operation—reducing chances for error.

## Remington Rand

Room 2804, 315 Fourth Avenue, New York 10

Yes, I'd like to know more about streamlining my bank operations.

- ☐ Mortgage Loan Accounting
- ☐ Trust Accounting
- ☐ Loan and Discount Accounting
- ☐ Certified Checks
- ☐ Retail Charge Account System

Name \_\_\_\_\_  
 Title \_\_\_\_\_  
 Company \_\_\_\_\_  
 Address \_\_\_\_\_  
 City \_\_\_\_\_ Zone \_\_\_\_\_ State \_\_\_\_\_

B-1



## Methods and Ideas

(CONTINUED FROM PAGE 57)

comment. People are saying, "Well, I never expected to see *this* in a bank!"

For example, the 15,000 who come in weekly saw, early in March, an arrangement of spring flowers encircling a small pool that contained fish, pollywogs, and Myrtle, the turtle. The pool was fed by a miniature waterfall.

As the season progressed and the countryside bloomed, woods near Hartford yielded plants that were brought into the bank so city folks might enjoy the unfolding of the Connecticut spring.

Last autumn the bank displayed piles of green and gold pumpkins, corn, tobacco, and other market produce; the exhibit was labeled "Connecticut Gold." Thousands stopped to look, and perhaps remember a day when they, too, had gardens.

The displays are seasonal as far as possible.

Charles J. Lyon, president of the Society, looks at the program in this way: He believes that the bank is a part of every-day living for many people. It should be a place folks like to visit; everyone who comes in should get not only helpful, courteous service but should

(CONTINUED ON PAGE 112)

Canaries helped The Commercial Banking & Trust Company of Parkersburg, W. Va., celebrate its 50th anniversary. The birds, in gilt cages, were placed in all departments. Depositors' reaction, reports President William E. Mildren, was "most favorable"



## Safe Deposit Procedures

JAMES A. McBAIN

*Here is another instalment of a memorandum to the A.B.A. State Legislative Council by the vice-president of The Chase Safe Deposit Company, New York.*

### Locks

**T**HE lock of a surrendered or exchanged safe should be changed before re-rental. On the fixed tumbler type, the lock should be changed for one of the spare lock equipment or for one on another unrented box. No record is to be kept of where the lock has gone.

A lock identification system prevents use of the same lock on the same box more than once. The number of the lock removed is noted on a history card of the safe and no lock of the same identification number is placed on the same safe twice. This number is never to be used to trace the location of a lock. A changeable key lock should be reset to the "unrented" position to be opened with a stock key. Both nest and tin should be examined in the presence of the lessee when he surrenders his box. The signed record can include this point.

A careful procedure should be followed during the relief of the regular attendant to be sure that only authorized substitutes or officers have possession of keys. If the lessor has adopted a policy of permitting its employees in control of guard keys to rent boxes of their own in the vault, such employees preferably should be given access by other employees, perhaps after hours. A customer seeing a vault clerk open a box may receive a wrong impression.

### Access Methods

Methods in granting access differ with physical arrangements. A basic principle is that *no* access shall be granted unless the person's *right to access* has been *verified* and he has been properly identified. A key is no proof of right. Documents exhibited as evidence of access authority must be valid and left with the lessor for filing. The right should be verified regardless of how well known the person may be to the bank.

Cancellations of authority (those of deputies for instance) should be immediately reviewed upon receipt by persons charged with the operation of the vault. The records should be changed promptly. If one unauthorized access is granted, a court can imply that others were allowed in other cases.

Reference to records to verify access authority should be done in such a way that the lessee being checked cannot see the names of other customers in the files.

You may require a signature for every access regardless of whether or not the visitor is known. Verification of the *right of access* is of paramount importance.

### Record of Access

My company keeps a record of access by use of a slip controlled by number and filed chronologically. It provides for recording of the visitor's signature, or name, if he cannot sign except by mark, etc.; time in and out; date; initials of the employees who identified the visitor and *verified his authority*; initials of the employees who escorted him to and from the booth, if used, and examined it, identifying it by number; number of persons accompanying the visitor with his consent, if any; the initials of the employees who opened his box and locked it, or saw it locked by the visitor, and the initials of the employee who examined the floor of the vault near the visitor, if he did not use a room. It also includes a record of the box number and title of the rental. It should be noted that identification need not be solely by signature if the visitor is not recognized.

The date and number of the slip are posted to a cumulative visitation record card, filed by box number.

The customer must enter the vault to open his box. He must not be left alone in the vault. A good practice is to ask him if he wishes to insert the key himself and handle his own tin box. When the box is removed, the customer is escorted to a coupon room. When the compartment is locked the key should be tried in the customer's presence. If the box is carried by an employee of the vault, it should be in full view of the customer.

Do not allow the customer to leave the coupon room without taking his tin box with him. If the lessee takes the box off the premises, keep a record that he has done so. When the customer returns with the box, the coupon room should be examined thoroughly, even the stationery. Keep such stationery at a minimum in order to facilitate examination. We keep no waste paper baskets in coupon rooms as waste paper, too, must be examined. It is obviously better for a customer to go to a coupon room for the sake of privacy.



## West Coast coverage with *one* bank

Business funds deposited in *any* Bank of California office are available, immediately, in *all* our other offices, in *all three* Pacific Coast states.

This immediate one-bank service can be especially helpful when time is of the essence in important transactions.

Back of this immediacy, of course, is the less dramatic, but equally important fact that each office of this eighty-nine year old bank is long-established in its area—thoroughly acquainted with area needs and opportunities, and with its business leaders. Naturally, our area information service is available to all our customers.

These, and other Coastwide services, are available to all customers of this bank.

## THE BANK OF CALIFORNIA

NATIONAL ASSOCIATION

Incorporated in 1864

SAN FRANCISCO • PORTLAND • SEATTLE • TACOMA

(CONTINUED FROM PAGE 111)

experience a feeling of genuine welcome and relaxation—a momentary diversion from business affairs and the traffic problems that are waiting outside.

It should be added that the Society gives lobby space to community activity displays: Red Cross, Scouts, etc. They're in addition to the main program.

### Business Development

**L**ASALLE NATIONAL BANK of Chicago has a business development program in which the entire operating staff (other than officers) participates.

The staff works as six teams, each comprising persons with relatively equal opportunities for customer contact. There are contests within each team over six-month periods, and staffers getting the largest number of accounts are rewarded with extra vacation days.

Each team has an advisor from the business development department. Members select a captain and lieutenant, and monthly team meetings are held.

When the program was a month old, the bank noted a four-fold increase in the numbers of accounts obtained by staff members.

"A goodly number of our people," says Assistant Vice-president William S. Scott, "have expressed the opinion that the program is something they've been waiting for, and they're much pleased at being asked to work as members of a 100 per cent staff participation business

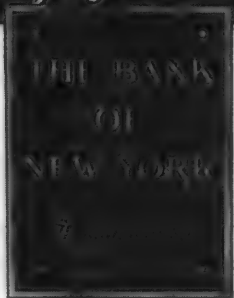
(CONTINUED ON PAGE 114)

Here is the new bank-by-mail envelope for commercial customers of the Republic National Bank of Dallas. Similar to the one used by individual depositors, it's large size and has a longer space for listing deposits



BANKING

## BANK SIGNS *in dignified bronze*



Picture the name of your bank in enduring bronze and aluminum . . . the names of your personnel in handsome desk plates of the same dignified metal.

Let us show you how we can give you the very finest signs, desk plates and bulletin boards to suit your every need . . . at most economical prices.

Send for free illustrated catalog



### DESK NAMEPLATES

2"x10" one line of copy \$7.50  
2 1/2"x10" two lines of copy \$9.00  
on bronze easel—other styles available

"Bronze Tablet Headquarters"

UNITED STATES BRONZE SIGN CO., Inc.

570 Broadway Dept. B New York 12, N. Y.

## Property Accounting Affects Profit

- Earning statements are substantially influenced by the accounting treatment of capital and expense items and by depreciation policies. Continuous American Appraisal Service provides the tool for better control of property and depreciation accounting.

The **AMERICAN  
APPRAISAL**  
Company



Over Fifty Years of Service

OFFICES IN PRINCIPAL CITIES



*The letterhead paper you'll find  
in offices where decisions count!*

## COCKLESTONE BOND

Men who hold key positions in the nation's industrial structure know the importance of selecting the proper letterhead to represent them. That is why Cockletone Bond is found in thousands of progressive firms. Executives prefer its sturdy feel...its lively

crackle...the rich shade of pure white.

The moderate cost of Cockletone Bond will surprise you. Why not investigate the advantages of appointing this finer letterhead paper as your business representative?



You can obtain business printing on Hammermill papers wherever you see this shield on a printer's window. Let the Guild sign be your guide to printing satisfaction.

SEND THIS COUPON for the FREE Cockletone Bond Portfolio. It contains a wide assortment of good, modern letterhead designs. You'll find it helpful in improving or redesigning your present letterhead. We will also include a sample book of Cockletone Bond.



Hammermill Paper Company, 1501 East Lake Road, Erie 6, Pennsylvania.

Name \_\_\_\_\_

Position \_\_\_\_\_

Please write on, or attach to, your business letterhead

B-JUN

LOOK FOR THE *Cockletone* WATER MARK



Authorized Foreign Exchange Bank

**THE NIPPON KANGYO BANK**

Established: 1897

HEAD OFFICE: HIBIYA, TOKYO

## TRUST OFFICERS

*Diamonds, Pearls,  
Rubies, Sapphires  
and  
Emerald Jewelry  
Purchased from Estates*

BIDS SUBMITTED

INQUIRIES INVITED  
BY BANKS

*Jewels Appraised  
for Estates*

**VARTANIAN & SONS**

608 Fifth Avenue, New York 20, N. Y.

(CONTINUED FROM PAGE 112)  
development team, where their efforts and their interest in the bank will receive recognition."

### Counting Customers

CHITTENDEN TRUST COMPANY of Burlington, Vermont, was interested in learning the number of customers appearing at tellers' windows for various service. Keeping the score on a piece of paper, or by means of a running count, was laborious and rather difficult, so the bank devised another method.

"Each teller," Comptroller M. A. Kuhn reports, "is instructed to take a penny out of his coin machine for each customer, and toss it into a small box. At the end of the day, as part of proving his cash, he counts these pennies and thus ascertains just how many customers he has served.

"By accumulating the totals daily, weekly or monthly, we are able to assemble our monthly statistics. Needless to say, we're amazed at the large number of people our tellers service during a month."

### Income Tax Aid

THE FLORIDA NATIONAL BANK of Jacksonville helped income taxpayers prepare their returns this year. With cooperation of the Florida Bar Association and Florida Institute of Certified Public Accountants, the bank sponsored a weekly Sunday afternoon 30-minute television forum, "Your Income Tax."

Each of the six programs used two members of the professional organizations, with an attorney as moderator. Five were devoted to



Valley Stream (N. Y.) National Bank and Trust Company is using a double portable teller's booth which can be set up on the officers' platform to help reduce lobby congestion. Easily storable, it also provides additional counter space

questions and answers and to answering letters received from viewers. Professional actors presented the queries to the panel.

On one program the Director of Internal Revenue for Florida appeared with two assistants, explaining in detail Form 1040.

H. C. Eberts, president of the bank, made the introductory remarks and welcomed the audience.

### Advertising Ideas

This year, for the first time, Philadelphians were required to pay their local taxes by mail or in person; previously the city provided

(CONTINUED ON PAGE 117)

The school banking program of The Trenton (N. J.) Saving Fund Society includes class visits to the bank. Pictured with this group in the vault are Miss Jean M. Turan, the bank's community relations representative; Assistant Secretary Samuel P. Green; and a teacher. The society's school savings deposits exceed \$1,000,000







The CORONET by National Homes—best seller in Cincinnati

## Cincinnati's Two Best Sellers are BOTH NATIONAL HOMES!

— as reported in **house+home**, April 1953

In one of the country's toughest markets—Cincinnati—the best-selling houses are Nationals built by Ohio Homes, Inc. And the next best sellers are also Nationals, erected by Runck & McClure. So says an article in the April issue of *House & Home* entitled "The Fastest Selling Houses in the USA."



For those financial institutions which are looking for a source of sound investments . . . mortgages on National Homes offer many advantages. Your inquiry is invited.

### Quoting from This Article:

"Two of a kind. The selling record—now a fast 20-per-month—is all the more remarkable because the National prefabs sell for more around Cincinnati, where land development costs (improvements are about \$50 per running ft.) and labor are higher than almost anywhere else in the country. Next best seller in Cincinnati is another National prefab built by Runck & McClure.

"Ohio Homes' President Harold D. Comey, in the prefabricated-home business over 15 years, is in an excellent position to judge prefab acceptance. Says he, 'Even in a conservative community like Cincinnati the resistance is now so small that it's hardly worth mentioning.'"



*National*  
**HOMES**

NATIONAL HOMES CORPORATION  
LAFAYETTE, INDIANA • HORSEHEADS, NEW YORK

For more speed, efficiency and profit . . .

# Do All Your Merchant Charge Plan Accounting on Burroughs Equipment

Every step of the way—receipting deposits, proving, microfilming and cycle billing of accounts—you can save important time and money when you put Burroughs equipment to work for you on any merchant's charge account plan. Burroughs' complete line of microfilming and accounting machines speed

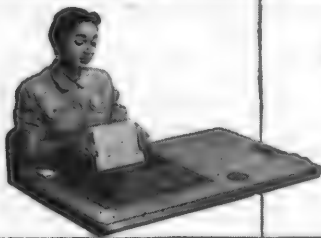
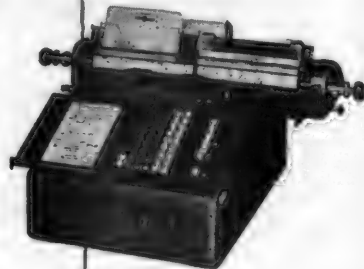
handling of accounts—and Burroughs' years of experience in the bank and retail fields can be invaluable to you in improving efficiency, making more profit through reduced overhead expense. For aid in developing the best accounting operation for your charge plan, call your local Burroughs man today.



**CYCLE BILLING**—The new *Burroughs Sensimatic cycle billing machine*—the most modern, most automatic cycle billing machine available today—is the result of years of Burroughs' experience with cycle billing in department store operations.

- Prints the number of tickets—charges, returns and credits—on each statement for fast, accurate verification and mailing.

- Exclusive mechanically enforced recognition of past due accounts assures better credit control.
- Exclusive error correction feature provides complete adjustment of incorrect billings.
- Production counters indicate total items, credit items and accounts billed—expedite production planning and operator incentive plans.
- Sensimatic simplicity of operation permits even inexperienced operators to do expert work.



**MICROFILMING**—With the sensational new *Acro-Feeder, Burroughs Microfilming* offers fast, error-free filming of merchant's charge plan media . . . automatic feeding of intermixed documents with maximum protection against overlapping.

Use Burroughs' interchangeable cameras to microfilm sales tickets upon receipt—for protection against loss, for easy reference and for audit aid, to microfilm customer statements and supporting media prior to mailing—for a permanent billing record.



**RECEIPTING**—*Burroughs Commercial Tellers Machine* speeds the receipting of merchant's charge plan deposits . . . helps to build good will through fast, accurate service.



**PROVING**—For the important jobs of proving merchant's deposits and prelisting or postlisting sales media for the establishment of cycle control proof totals, the new *Burroughs Multiple Total Adding Subtractor* speeds figure handling, increases accuracy. This new machine provides instantaneous group and grand totals without relisting, has convenient direct subtraction in dual registers.



WHEREVER THERE'S BUSINESS THERE'S

## Burroughs



(CONTINUED FROM PAGE 114)

neighborhood collection offices. To help reduce the last-minute jam at City Hall, the local banks published, in three newspapers, an advertisement that told the taxpayers: "The banks will help you pay by mail . . . even if you have no account." Copy explained that bank money orders, cashier's checks or treasurer's checks were available at any bank. The ad was signed "The Banks of Philadelphia" on the theory that this was better understood by the layman than the name of the clearing house. The offer, in addition to providing a real service offered an opportunity to attract many non-customers into the banks.

BISHOP NATIONAL BANK of Honolulu recently published six newspaper ads featuring children of various racial backgrounds, toys and animals, to stress the idea that the bank is a friendly place in this multi-racial, multi-lingual community. Copy, of a general nature, was reset for the Chinese and Japanese papers.

MERCHANTS NATIONAL BANK AND TRUST COMPANY, Meadville, Pennsylvania, built a newspaper ad on a bank visit by Allegheny College seniors. The copy briefly reported the visit, mentioning that each year the bank sponsors similar tours for young people. Four photographs taken during the collegians' expe-

Something new in savings banks is the "money tree" evolved by Rex V. Lentz, director of public relations and advertising at the Mercantile National Bank, Dallas. On the upper surface of the bank's base is a coin slot and a well for a plant. Several new pennies are attached to the branches. The tree pictured is being demonstrated by the bank's president, Milton Brown, left, and Mr. Lentz



dition to the merchants illustrated the ad.

RHODE ISLAND HOSPITAL TRUST COMPANY of Providence advertises its "1954 Tax Club," a method of saving for next year's real estate tax payments. Copy reminded that those who paid before a specified date got a 5 percent discount, and added: "Small weekly deposits add up to taxes paid in full!"

### Servicemen

CARRYING along last month's report on bank's methods of keeping in touch with their servicemen, we pass on these paragraphs from a letter by the personnel officer of a Pacific Coast institution:

"While in service we make sure that they receive the bank house organ. At Christmastime we send a box. And whenever they write to us we respond with a cordial letter assuring them that we are looking forward to their return to the bank, and that upon returning their salaries will be adjusted in the same percentage as salaries have increased during their absence.

"We advise them that they may enroll in A.I.B. courses at our expense.

"We have asked all our boys to advise us as to the expected dates of their releases, again using that opportunity to tell them that we're hoping for their return to the bank for reinstatement with full seniority rights."

### In Brief

MELLON NATIONAL BANK AND TRUST COMPANY and PEOPLE'S FIRST NATIONAL BANK & TRUST COMPANY, Pittsburgh, are offering a 2½ percent savings certificate with interest compounded quarterly. It has a three-year maturity, is redeemable on 90 days' written notice at lower interest rates, and is usable as collateral for loans up to full face value. The certificates are available in multiples of \$100.

The BANK OF GEORGIA, Atlanta, gives cash prizes to staffers (except officers) for 12 consecutive months of perfect attendance.

ANGLO CALIFORNIA BANK, San Francisco, is offering group life insurance, through automobile dealers, to instalment buyers of cars.

## PUBLIC NATIONAL Close-Contact CORRESPONDENT BANKING

"Provides Better Service for  
Banks All Over  
America"

## LOANS

Participation in loans exceeding a bank's legal lending limit and exchange of information concerning new types of loans is an important phase of our Correspondent Bank service.

*The*  
**Public National**  
BANK AND TRUST  
COMPANY of New York  
Main Office: 60 Broad Street  
New York, U. S. A.  
Member New York Clearing House Association  
Federal Deposit Insurance Corporation

**SPEED and BEAUTY**

NOTE  
Exclusive  
storage  
box and  
top tray  
both  
easily  
removable

Just  
load  
up  
your  
leading  
Western  
bank  
chain

**MP**

**Mr. STREAMLINED**

**COIN CHANGER**

"The Lowest Priced Modern Changer"

• Now more than 4500 satisfied users—banks, savings-loan, theatres, stores, ticket offices.

• Sturdy aluminum—gray hammertone finish.

• Compact, 8" x 10" x 6¼"—Weight 9 lbs.

• Trouble-free—all parts and workmanship unconditionally guaranteed.

**\$63**

AT BANK AND OFFICE  
SUPPLY DEALERS

With roll-out base—\$22.50 extra, plus tax  
(Model 1107 with silver dollar key—\$70, plus tax)

MELRE PRODUCTS ENGINEERING, INC. Los Angeles 56  
California

## Canadian Pacific Express Travellers Cheques in U. S. Dollars



The Canadian Pacific Express Company issues United States Dollar Travellers Cheques and Money Orders payable in United States dollars.

Redeemable at U. S. par value by the National City Bank of New York, N. Y.

WHETHER YOU'RE A CORRESPONDENT BANK OR NOT:

# Give Us A Job To Do

Send us your toughest problem . . .  
Phone LAfayette 3-6800, ask for Correspondent  
Banking Service and get action—fast!

**The National Shawmut Bank**

40 Water Street, Boston

Capital \$10,000,000

Surplus \$20,000,000

Member Federal Deposit Insurance Corporation



## 1954 BANK ALMANAC

**Write for Free Sample—Ready Now**

Timeliest Advertising  
New as Next Year

Single-shot  
span-the-year  
publicity



49th Annual Issue  
Record of Success

Published  
by many banks  
10 to 30 years

AN INQUIRY ON YOUR LETTERHEAD  
reserves local rights pending your early decision

**SHIELD PRESS, INC.** 2024 Montcalm St. Indianapolis 2, Ind.

## Burglars

(CONTINUED FROM PAGE 54)

game, are seized in only two or three minutes after they break a window. Last July 14 in an eastern city, a burglar smashed the side window of the Rolan Clothing store. The alarm sounded at the ADT central station. It was 2:43 A.M. Operators immediately notified police headquarters, which radioed two city detectives who chanced to be cruising near the store. They caught the astonished intruder before he had time to enter the building. Time from brick hurling to capture was 58 seconds.

Some hold-up men hope to avoid electrical traps by attacking establishments guarded by watchmen. Three masked yeggs slipped into the Robinson Schwenn department store in Hamilton, Ohio, and at gunpoint tied watchman Clem Helmstead to a chair. One stood guard over him while the other two entered the office and started blasting the safe containing receipts from a big Saturday sale.

### Watchmen's Service

But meanwhile another feature of ADT's system was at work—the watchmen's compulsory reporting service. This is a mechanical sequence system by which a night guard must visit his call boxes in regular order. If he fails to report, an obvious blank space on an automatic tape register tells the ADT central station operators about it. Within minutes of Helmstead's failure to call in, an ADT guard rang the freight elevator bell. The safe-crackers fled.

When three thugs prodded a gun into the ribs of watchman Joseph Kopta, at the Gaw O'Hara Envelope Company in Chicago, he warned them, "If I don't pull my patrol boxes on time the ADT will send the cops." So while two of the gang went about the business of burglary, the third escorted Kopta on his round. But instead of sending the usual "all's well" signal, the watchman, without his gunman escort suspecting anything, sent one that meant "Help! Emergency." Sirens shrilled; police and ADT guards caught the fleeing men in the yard.

The history of ADT is a story of constant battle of wits with pro-

(CONTINUED ON PAGE 120)





## How to Enlarge your Community Credit

Good will has to be cultivated.

Give Cascade Bank Imprint Napkins to local community groups, and build your good will as thousands of banks are doing with great success, and at small expense.

Imprinted with your bank-name and advertising message, Cascade napkins make a practical and popular contribution to churches, lodges, institutions, schools, and civic organizations. They help create new business—help you keep old business.



### A Good, White, Useful Napkin

The First National Bank of Akron, Ohio, recently used its original order of 30,000 napkins in two months, immediately re-ordered 50,000.

#### Two Sizes Available

	30,000	50,000	100,000
13" x 13½" Standard weight	\$131.00	\$199.00	\$365.00
17" x 17" Heavyweight dinner napkins	\$190.00	\$299.50	\$575.00

Conveniently wrapped in packages of 250, packed 10,000 napkins per case. Minimum order—3 cases.

Imprinting in blue, red, green, or brown. Art work and plates made up from your rough sketch, letterhead, and advertising message, for which there is a slight charge on original orders only. All art work will be submitted for your approval before printing.

During your anniversary year, have Cascade napkins specially imprinted and wrapped as reminders of your long community service.

## Cascade Paper Company

1 Brown Street  
North Adams Massachusetts

(CONTINUED FROM PAGE 118)

fessional burglars. It was in 1853 that Augustus R. Pope of Somerville, Massachusetts, patented a device which would ring a bell at the opening of a door or window. The patent was purchased in 1857 by Edwin Holmes, who developed the burglar alarm and installed systems connected by wire to central offices set up in Boston and New York. These proved to be highly successful in apprehending burglars.

About the time that Holmes established his office, a New York concern called the American District Telegraph Company had developed a system of multiple call boxes. It enabled subscribers to signal a central station for a messenger, doctor, cab, policeman, or fireman. District telegraph offices, as they were called, soon were established throughout the country. These concerns eventually merged into a single nationwide ADT organization. The ADT bought out Holmes in Boston and strung the warning network across the nation. The Holmes Electric Protective Company still operates in New York, Philadelphia, and Pittsburgh.

### Science Works Both Ways

While ADT seized upon new developments in science to make efficient safety devices, the burglar made science work for him too. He used improved bolt cutters to chop out window bars or he fitted hydraulic jacks between the bars and forced them apart so he could squeeze through. Inside, he used a "can opener," a large scissor-like ripping tool to cut and pry open fire-resistant safes. His most effective helper was the oxyacetylene torch. This and powerful new nitro explosives further sped up his nefarious operations. The automobile cut down the time needed for him to escape.

Radio-dispatched police cars have helped the forces of right catch up with getaway cars. But new torches recently developed threaten to tip the time scales in favor of the burglar. These flame throwers develop 5,000 to 9,000 degrees Fahrenheit and melt concrete as if it were cheese. They burn through an 18-inch granite wall in three minutes and dissolve any known substance. This awesome tool will be a dangerous one in the skilled burglar's

hands. With it he can cut through steel and concrete vaults as easily as a child cuts paper.

ADT engineers believe they have an efficient counterattack against even this super-blowtorch. It is a remarkable device they call the Phonetalarm. As a technician explains, "Nobody breaks into a bank vault with a tack hammer. It takes some kind of noisemaker." Phonetalarm reacts to the sound of hammering or drilling or to the roar of a torch. It can be made so sensitive that a brush of the hand or even a cough will set off an alarm in the central station.

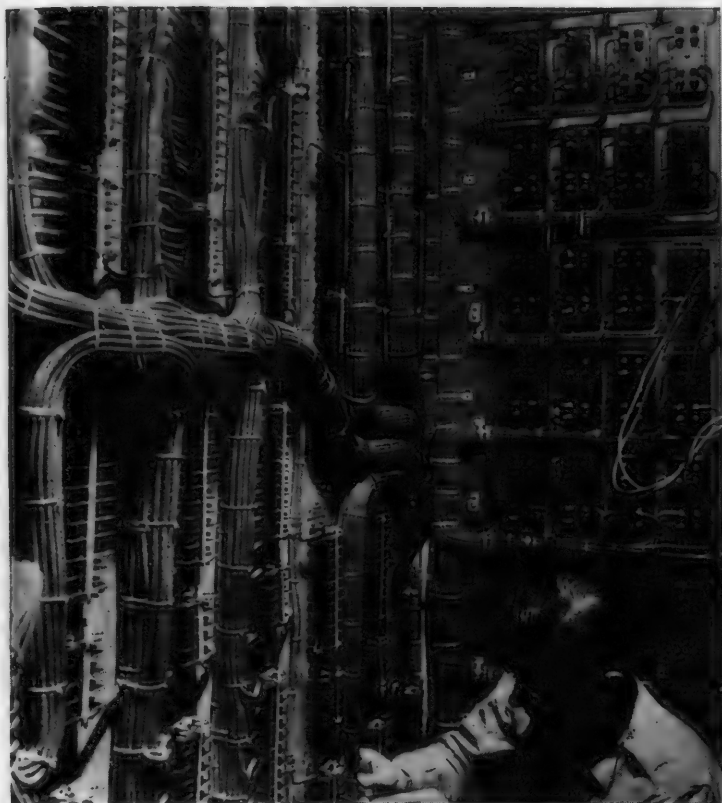
ADT's most recent development is Telapproach, by which a safe-cracker betrays his presence before he even touches the safe. If you recall the early days of radio you remember the increased volume of the squawks issuing as your hand approached the dial. Telapproach utilizes this principle. The "body capacity" of any person who comes near the safe—surrounded by a field of radio waves—unbalances the electrical system and automatically sends in the silent alarm to ADT.

On the way and under test by ADT engineers is burglar detection by ultrasonic waves. Here, the room to be guarded is filled with a pattern of sound waves of such high frequency that the human ear does not hear them. Any person entering disturbs the invisible crisscross and sets off an alarm. It is this kind of research that keeps ADT ahead of the criminal.



"Of course I get 30 days to pay—but that's different!"

# Only STEEL can do so many jobs so well



**Power for the People.** No doubt about it, America is lucky to have such a generous supply of electric power . . . for electricity contributes enormously to the health, comfort and convenience of all of us. U. S. Steel helps to provide electricity for better living by manufacturing products like U-S-S Amerbestos Wire, here being used in the generating station switchboard of one of the nation's largest electric utility companies.



**9½ Miles of Hole . . . and Still Going Strong!**  
The American Tiger Brand Rotary Line with which this "Oilwell" No. 76 rig is strung, has already been used in the drilling of 7 oil wells for a total of 49,700 feet of "hole." In the oilfields, the products of United States Steel are favorites, because they give longer service with less trouble.



**Inside Information.** The growing popularity of steel windows . . . and especially of the picture-window type like this . . . is explained by the ladies very simply: they say they like the way these windows bring the view indoors; they like their weather-tightness, their slender lines; and they like their ease of cleaning from *inside* the house. Only steel can do so many jobs so well.



This trade-mark is your guide to quality steel

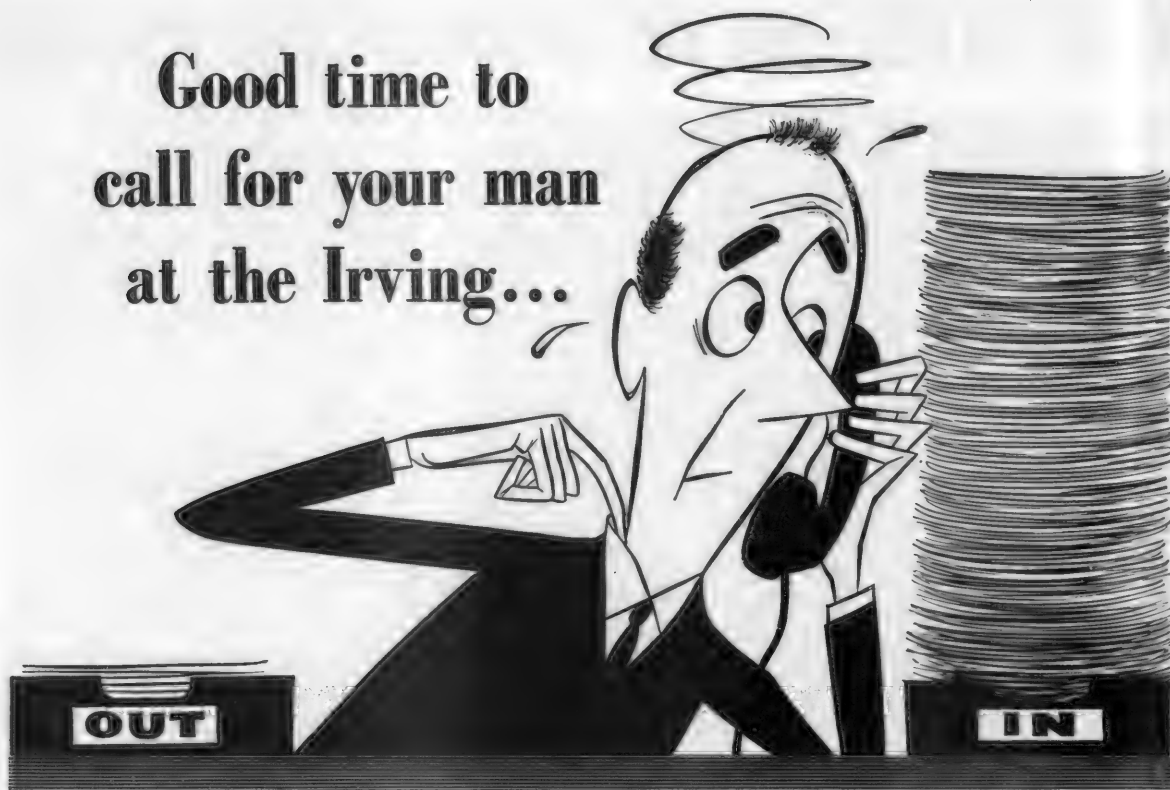
## UNITED STATES STEEL



**How to use Tape without Getting Stuck.** Easy. Just use the handy dispenser that comes with it! Scores of drug and grocery items these days come to you with ingenious dispensing devices built into them: like pressure cans for shaving cream, boudoir covers for cleansers, shut-off spouts for honey containers. Many of these devices are made of steel in the form of tin-plate (1% tin, 99% steel!).

AMERICAN BRIDGE . . . AMERICAN STEEL & WIRE and CYCLONE FENCE . . . COLUMBIA-GENEVA STEEL . . . CONSOLIDATED WESTERN STEEL . . . GERRARD STEEL STRAPPING . . . NATIONAL TUBE OIL WELL SUPPLY . . . TENNESSEE COAL & IRON . . . UNITED STATES STEEL PRODUCTS . . . UNITED STATES STEEL SUPPLY . . . Divisions of UNITED STATES STEEL CORPORATION, PITTSBURGH  
GUNNISON HOMES, INC. • UNION SUPPLY COMPANY • UNITED STATES STEEL EXPORT COMPANY • UNIVERSAL ATLAS CEMENT COMPANY

Good time to  
call for your man  
at the Irving...



*Irving's Correspondent Services start no further away than your telephone.*

When your "OUT" basket can't catch up with your "IN"... when questions arise calling for outside help or advice... you can be sure of prompt assistance from *your man at the Irving*.

For all practical purposes, our representatives act as members of your own staff. If they were on your payroll, they couldn't be more dependable in getting things done for you.

The end result: better service to your present customers... new business... a more profitable operation for your bank. *Irving Trust Company invites you to a discussion of its Correspondent Services at your convenience. Will you set a time?*

## IRVING TRUST COMPANY

ONE WALL STREET • NEW YORK 15, N. Y.

Capital Funds over \$121,000,000    Total Resources over \$1,300,000,000

WILLIAM N. ENSTROM, *Chairman of the Board*

RICHARD H. WEST, *President*

Domestic Banking Division, NOLAN HARRIGAN, *Senior Vice President in Charge*

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



# Audit Control in Savings Deposit Accounting

*Audit control in savings deposit accounting procedures followed by The County Trust Co., of White Plains, New York, in its 21 branches was discussed by Assistant Vice-president and Auditor OTTO SALVESEN at the eastern regional conference of the National Association of Bank Auditors and Comptrollers in Baltimore. BANKING presents his explanation of the method:*

OUR bank has some 75,000 interest accounts in 21 branches and they are serviced by a central book-keeping department. Except for a few improvements, our audit procedure is basically the same as it was when we inaugurated tabulating accounting. The control procedure begins at the time an account is opened and taking in sequence of events can be enumerated as follows: (1) signature control; (2) passbook control; (3) machine control—tellers journals; (4) actual transactions and control tickets travel two distinctly different routes; (5) daily journals from tabulating; and (6) direct verifications on active and inactive accounts.

## Accounts Opened

**Signature Control:** Accounts are opened by platform personnel who authenticate signature cards before turning them over to the files.

**Passbook Control:** Passbooks are consecutively numbered and kept in custody of an officer. The Auditing Department has a record of all passbooks printed and, from the daily tabulating journal, can account for all books issued and hence can audit unissued books.

All our unnumbered passbooks, also in the custody of an officer, are numbered on the inside back cover by the Auditing Department and each such book issued must be satisfactorily explained by notes on tellers journal.

**Machine Control:** Our tabulating accounting is based on the familiar dual posting system. All entries to accounts with or without the passbooks must be validated on the machines. The counting device on the machine, controlled by the officer-

in-charge, or his designee (who is not a teller), is read and recorded at the beginning and at the end of each day. We use a three-ply carbon journal tape. The first copy is discarded because it does not have a complete record of transactions printed on its surface. The second copy is retained in the branch and the third copy is sent to the Auditing Department.

## The Day's Start

We start the day's work by printing the date and the opening counter reading on the journal tape. After that we follow the standard procedure for dual postings. We have strict rules for authentication of misposts and errors. When we close the day's work, we print the item counter reading on the journal tape, and the teller stamps his initial and office on both copies. He hands them to his officer in charge together with all interest tickets and all transactions memoranda that were posted. These tickets and memoranda and a journal copy are sent to the Auditing Department together with a summary sheet recapping the activity of all the tellers machines.

All withdrawals and deposits accumulated by each interest teller are recapped for total office, checked against the summary and sent to the Tabulating Department together with listings of correlative account numbers. Interoffice transactions, however, are sent to the Transit Department for routing to the office of domicile, and must, therefore, be recorded as such on the summary sheet. The general ledger control entries are routed through transit. We do not encourage interoffice transactions at the present, but when our central signature file is completed, we intend to extend service no matter which office may be used.

## Producing a Journal

The Tabulating Department as an end result of recording the day's transactions produces a journal, a copy of which goes to the Auditing

Department. This journal gives the following information: Account number, name, date of last transactions, old low reference balance, number of transactions, new low reference balance, old principal balance, transaction amount, new principal balance, passbook balance, discrepancy, and, of course, totals which are checked against general ledger controls.

The auditor will check that all activity recorded on the tellers' machines have been posted by the Tabulating Department. Balance discrepancies, if any, are traced back through the day's work or, if that does not produce a solution, the last activity date will lead him to entries before the inauguration of the new system, whereby he can find omissions and errors that were overlooked before. Interest omissions, from an audit point of view, are not serious.

If we are unable to resolve, to our own satisfaction, that a difference is a harmless one, we will send out a letter or form to the depositor requesting him to forward his passbook to us for verification.

Other common errors, such as wrong numbers and incorrect balance pickups are easily resolved and in most cases indicate sloppy operation. This again will show in our monthly activity analysis which is sent to the president and to all officers in charge.

## Direct Verification

Our follow-up system of direct verification of differences that are not easily explained coupled with the usual public relations correspondence with new and closed accounts, independently of each other, and unknown to the tellers, carry quite a punch. Also the last activity date gives us a daily means of spot checking or confirming reactivated accounts.

In addition, throughout the month, on a "cycled" basis, the Tabulating Department supplies the auditor with trial balances of all special interest accounts. A copy also goes to each office.

We use these trials in selecting

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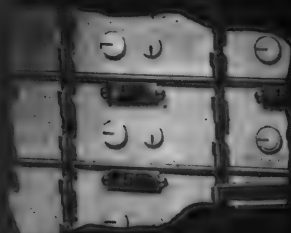
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both active and inactive accounts for direct, positive confirmation.

There are other advantages and audit features in this system, for instance: Abandoned funds report can be made up in one hour; the FDIC breakdown of accounts is recapped at the rate of 9,000 accounts per hour; and control of accrued interest payable. Interest is calculated on our 75,000 accounts in 30 hours, with interest posting tickets being prepared at the rate of 6,000 per hour.

**Experience Factor**

The Accounting Department uses an experience factor based upon previous interest periods and accrues accordingly. It has been our experience that differences between the accrual control and the actual interest credits have been quite nominal.

The interest posting cards show the old balance, the interest credit and the new balance. These cards are sent to the respective offices, and as interest is posted to the books, the cards are forwarded to the Auditing Department as specified before. Therefore, the remaining cards in the file present a perfect medium of contacting depositors to bring them in with the passbooks for interest posting.

**Terminal Digit Method**

(CONTINUED FROM PAGE 72)

among all the ledgers. In each 100 accounts opened, one card would be filed behind each of the 100 guide cards.

Experience has shown that close-outs are rather evenly distributed through all of the guide card groups, so that the number of accounts under each control would remain fairly even.

**Method Adaptable to  
Varying Volume**

For a volume of cards up to, say, 5,000, this method has no particular value. For a volume of cards in excess of 5,000, the cards would be divided into 100 groups based on the two right, or terminal, digits, and behind each guide the cards would be filed in strict numerical sequence.

(CONTINUED ON PAGE 126)

# 391

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## BANK OF NEW SOUTH WALES

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(CONTINUED FROM PAGE 124)

Ordinarily, in bank work not more than 20 to 25 cards should be filed behind any one primary or subordinate guide card. Therefore, if there were 10,000 cards involved, they would first be divided into groups based on the two terminal digits, which means there would be 100 groups—from 01 to 00. Thus, there would be 100 cards in each group. Therefore, in each group it would probably be desirable to use four to five secondary dividers to break down each group into small groups of 25 or 20 cards.

Let us assume that the volume has increased to a point where we have, say, 600,000 cards involved. In this case, the cards would first be divided into 100 groups based on the two terminal digits. This would give us 6,000 cards in each primary group. These cards could further be divided based on the second two digits, in other words, the third and fourth digits from the right, and could be filed in 100 secondary groups behind each primary card. In each of the secondary groups there would be 60 cards. If desired, one or two subdividers could be used in each of these groups in the so-called tertiary, or third, position.

Carrying our illustration still further, let us assume a volume of 1,500,000. The first subdivision into the 100 primary groups based on the first two terminal digits would place 15,000 cards in each group. Each of these groups of 15,000 would be divided into 100 secondary groups, each containing 150 cards. Each of these secondary groups could be further subdivided with seven or eight dividers, giving approximately 20 cards behind each divider. In this third, or tertiary, position the cards, of course, are filed in strict numerical sequence.

### Three Terminal Digits Instead of Two

There is another variation which can be used in the case of a large volume of material. Under this plan, instead of using two terminal digits, three terminal digits can be used. This would call for 1,000 primary guide cards. And depending on the volume of material to be filed, subdividers could be used as needed to keep the volume behind each subdivider down to about 20 to 25 pieces.

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T. S. O'BRIEN,  
Secretary

April 22, 1953

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**BANKING**



# Washington

(CONTINUED FROM PAGE 53)

bank building construction program.

The legislation was to authorize the System to spend \$20,000,000 of its own funds for this purpose. The construction program was largely projected prior to the Korean war, but, because of the materials shortages which followed the defense program, the projects were suspended.

Under the building program new branch structures would be built at Buffalo, Nashville, Louisville, El Paso, Houston, and San Antonio.

In addition major alterations would be undertaken to branch bank buildings at Pittsburgh, Baltimore, Charlotte, Birmingham, New Orleans, Denver, Oklahoma City, Omaha, Los Angeles, and Salt Lake City.

## Unions and FR Banks

Under a provision of a bill offered by Senator Alexander Smith (R., N. J.), unions would be free to attempt to organize employees of the Federal Reserve banks.

Senator Smith would provide for this possibility by removing the exemption which the FR banks have as "Government agencies" from the operation of the labor laws. Unions are now refused the bargaining and other rights of labor laws with re-

spect to employees of Government agencies.

However, whether any extensive modifications of labor laws will pass this session of Congress is somewhat doubtful. This particular provision of the Smith bill, if it comes to the floor of either House of Congress, probably would be attacked.

## Cook FDIC Chairman

H. Earl Cook, former superintendent of banks of Ohio, became Chairman of the Federal Deposit Insurance Corporation, May 10, as provided in an organization meeting of the Board on April 29.

Mr. Cook was appointed as a Republican member of the Board. With the accession of Ray M. Gidney to the Board, as an ex-officio member, since he is Comptroller of the Currency, the agency now has two Republican members. Maple T. Harl, retiring chairman, is a Democrat.

At the organization meeting Mr. Harl submitted his resignation as chairman and nominated Mr. Cook to be his successor, thus changing the chairmanship in reflection of last year's national election and the new composition of the Board.

"FDIC will continue its close cooperation with the office of the Comptroller of the Currency, the

## Bankers to Washington

IN our department, "Heard Along Main Street," are pictures and biographical material on three prominent bankers who have recently undertaken governmental duties in Washington. They are: Assistant Treasurer of the United States Catherine B. Cleary (see page 28), FDIC Chairman H. Earl Cook (page 21), and Assistant Director of the Budget Rowland R. Hughes (page 24). The appointment of Kenton R. Cravens as Administrator of RFC was reported last month, and a picture of Mr. Cravens being sworn in appears this month on page 20.

Federal Reserve System, and the National Association of Supervisors of State Banks," Mr. Cook said following his election as chairman. "We will work closely with all agencies of bank supervision to the end that our banking system, which we believe is now the strongest in the history of the nation, may be strengthened even further."

Mr. Cook is a native of Bucyrus, Ohio, and began his bank career at the age of 20 with the Second National Bank of that city. He was elected president of that bank December 1, 1929. In 1935 he became a member of the Executive Committee of the National Bank Division of the A.B.A. and became head of that division in 1938. He also served on the Executive Council of the A.B.A., Bank Management Commission, and on other A.B.A. committees.

He was first appointed a member of the FDIC Board April 10, 1947, to succeed the late Phillips Lee Goldsborough of Maryland. He and Mr. Harl on September 6, 1951, were appointed to new terms expiring September 6, 1957. [For details about Mr. Cook's views see page 21.]

## Mortgage Interest Rise

Chief effect of the belated approval of a rise to 4½ percent in Government-sponsored mortgage interest rates is believed to be that of giving VA and FHA loans a better chance to compete.

VA loans are expected to get a considerable boost in lending attention because, with a rate previously of only 4 percent, they were difficult to get in many large areas.

## Jess Wolcott's First Economics Lesson

As a member of the Joint Economic Committee since the beginning, and now as its chairman, Representative Jess Wolcott of Michigan has a continuing opportunity to learn about economic affairs. Mr. Wolcott got his first lesson in practical economics, however, as a boy in Gardner, Mass. When about 15 years old, Jess, as he tells the story, worked in a local furniture factory, cutting discs of wood for use as chair seats.

The work was on a piece basis. When Jess took the job his pay was fixed at 10 cents per hundred seats. Being diligent and ambitious, he was able to turn out 200 per hour, which earned him 20 cents. By working 10 hours a day, Jess

was pulling down the munificent earnings of \$2 daily. The boss thought that was too much money for a boy of such tender years to be taking home, so he reduced the piece rate to 9 cents per hundred.

Since Jess wanted to go to college and needed to earn some money to make a start, he continued his work at the chair factory. But the lesson in economics which he learned then has stayed with him ever since, he reports.

Eventually young Wolcott had saved enough to pay his fare to college in Detroit with \$72 besides, to meet the initial tuition and book expenses. By working his way he was enabled to get a law degree and settle down to practice in Port Huron.

—H. M. B.

One of the purposes in selecting the 4½ percent rate, so far as FHA was concerned, was to get that rate which would keep FHAs nearest par in most sections of the country. As a result of the rise of ¼ percent in these loans, there may be small premiums on them along the eastern seaboard, with, perhaps, service charges not being made in some cases; and the possibility was suggested of the disappearance of discounts on the West Coast or their being held to around 1 percent. [For further details see page 102.]

### Housing Volume

It was clear that the Eisenhower Administration was concerned with seeing that housing construction should carry on at a rate of 1,000,-000 units or more per year.

In its desire to facilitate such a volume, the Housing and Home Finance Agency advocated some lowering of the required down-payments on FHA loans and a lengthening of some maturities. These steps were favored after the private housing industry had reported that absence of funds for down-payments was one of the major stumbling blocks to sale of houses.

This desire to sustain such a volume of housing construction will also guide the handling of the portfolio of the Federal National Mortgage Association.

At first a House committee proposed requiring FNMA to sell \$1-billion out of its \$2.4-billion portfolio of FHA and VA mortgages during the fiscal year 1954. This mandate was defeated on the floor of the House. In its place, the House adopted an amendment more or less advising FNMA to sell mortgages where it could do so.

FNMA plans to sell as many of its mortgages as it can—thereby contributing to Treasury receipts—but means to do so in such a volume and such a rate as the market will absorb without dampening the market for new housing money or defeating the objective of allowing the financing of a construction volume of around 1,100,000 housing units.

At the same time FNMA expects to use in substantial volume its "one-for-one" plan, giving buyers from FNMA portfolio a right later to place a like face amount of mortgages with this agency.

Housing officials also want FNMA

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now being done effortlessly, and we like the change.

This makes five new buildings which we have constructed since the war and, while in themselves they have contributed more to our comfort than to efficiency of manufacture, the fact that with each occupancy we have utilized the latest developments in methods and machines has enabled us to step up our output per man-hour and in large measure offset general increases in operating expenses. Changes in methods develop swiftly these days, and even as this is written we are engaged in making an entirely new layout in our Chicago plant in order to accommodate the production flow as it exists in Clifton.

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## Public Housing Aided

Congress, while initially attempting to shut down on public housing, is probably actually clearing the way for a volume of public housing construction up to or even beyond twice as much as the 35,000 units authorized this current fiscal year.

While the House Appropriations Committee proposed tentatively to "stop" the beginning of any new public housing for fiscal 1954, it did not exclude from its prohibition starts on projects for which there were signed agreements with municipalities, approved by the White House. Such ready-to-go agreements cover more than 70,000 units of public housing, although offi-

cials think only something more than half this number will actually be put under construction during the new fiscal year.

Whatever volume is made possible by this batch of contracts will swell the new construction total finally approved as an additional increment for fiscal 1954.

## Budget Outlook Delayed

Prospects for balancing the budget were discouraging in view of Treasury Secretary Humphrey's statement that the budget for fiscal 1954 wouldn't be balanced and probably shouldn't be, for to balance it might jeopardize national security through cuts in defense spending. The Secretary also said it might be necessary to increase the present statutory debt limit of \$275-billion.

Congress is showing a disposition to reach its own decisions on appropriations where it considers that the Eisenhower Administration is not cutting them sufficiently. In particular, Congress is disposed to make a deeper cut in new appropriations for foreign aid than is the Administration.

Foreign aid, together with defense spending, will for the most part make the budget picture, and these issues are not likely to be resolved by Congress until perhaps well into July.

It is noted, furthermore, that what Congress provides in new appropriations will have much less effect on spending in fiscal 1954 than on spending in 1955 and subsequent years, because of the backlog of military spending allowances voted by previous Congresses, amounting to \$80-billion, and of Mutual Security allowances of some \$10-billion, as of the beginning of the new fiscal year.

The White House suggested a cut of \$8.5-billion in new money allowances.

More experienced fiscal observers are skeptical of the achievements in reduced spending to be expected from such moves as the Executive Order reorganizing the Defense Department. They believe that if a curtailment of even as much as 200,000 persons in the size of the military establishment is agreed to, or if Congress votes a spending limit for fiscal 1954, then a real reduction in disbursements may be expected.

Another cross current consists of  
(CONTINUED ON PAGE 132)



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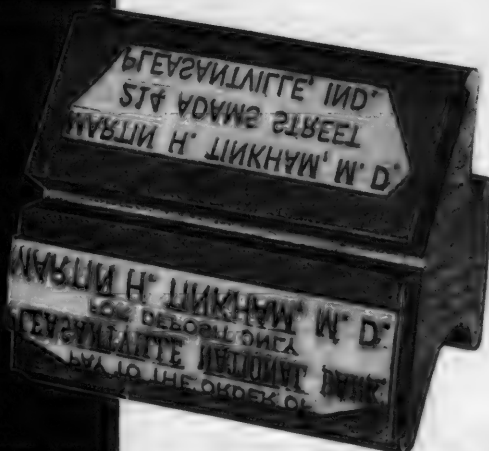
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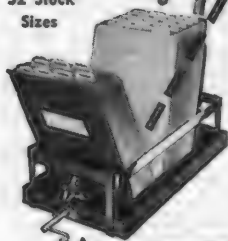
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(CONTINUED FROM PAGE 130)

the whole area of various governmental contingent liabilities and assets. For instance, there may be realized an appreciable net gain from sale of Government holdings of guaranteed and insured mortgages. On the other hand, the Secretary of Agriculture, Ezra T. Benson, has suggested that disbursements for support of farm commodities may require additional funds of from \$3- to \$4-billion in the next 18 months.

The revenue outlook has been affected by the disappointing results in fiscal 1953, expected to be around \$1.2-billion less than former President Truman estimated.

## Treasury New Money

It is probable that the Treasury will need to raise several billion in new money between July 1 and December 31.

As a general rule the cash deficit needs of the Treasury may be expected to arise during the first half of the new fiscal year, because, under the acceleration of corporation income tax payments provided under the Mills plan, 90 percent of corporation tax liabilities are paid by the March and June tax dates.

If Congress and the Eisenhower Administration were to find themselves with a cash deficit as large as former President Truman estimated, they would thus have to raise about \$6.6-billion in the next six months.

## Savings Bond Interest

After careful consideration of possible changes, the Treasury has decided that, at least for the time being, it will propose no changes in the interest rates of J and K Savings Bonds.

On April 16, the Treasury said that no changes in the form or terms of E and H bonds were under consideration, but that the status of F, G, J, and K bonds in the over-all program was under study. The study was made and the decision was to leave the program as at present.

## JEC Committee Study

While the Congressional Joint Committee on the Economic Report has been importuned to study a wide range of economic subjects, that committee probably will concentrate at first upon two:



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TODAY one Australian in every seventeen is a "NEW AUSTRALIAN." Since World War II, 500 thousand migrants have increased Australia's population to 8½ million people. DIRECT your customers' enquiries to A.N.Z. Bank, which is ready and equipped to supply detailed information on all aspects of business conditions in Australia and New Zealand.

## AUSTRALIA AND NEW ZEALAND BANK LIMITED

BANK OF AUSTRALASIA  
Established 1835



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THE UNION BANK OF AUSTRALIA LTD.  
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Over 720 Branches and Agencies throughout Australia and New Zealand, in Fiji, and in London.  
Agents in all parts of the World.

TOTAL ASSETS EXCEED £A400,000,000.

(1) Assets and liabilities of Government corporations and business enterprises, and,

(2) General problems of the nation's economy.

### Duggan on Farm Borrowing

I. W. Duggan, Governor of the Farm Credit Administration, expressed concern over farmer borrowing in his appearance before the House Appropriations Committee. He related that prices received by farmers are dropping, but their costs of operation have not declined correspondingly.

Farmers are borrowing on long-term mortgage account to buy machinery, to pay for repairs, and to refinance short-term loans, "and it gives me some concern," said Mr. Duggan. "They are refinancing with long-term mortgages and some of these loans were to pay for machinery that will be worn out before the mortgage is paid off."

On the other hand, Mr. Duggan submitted to the Appropriations Committee figures showing that outstanding land bank mortgage loans at the end of calendar 1952 amounted to \$1,079,000,000, up only \$82,000,000 from the year previous, and compared with \$1,851,000,000, the total of land bank loans outstanding December 31, 1940.

### FCA Interest

Governor Duggan also indicated that the rising trend of interest rates would cause the FCA to charge higher rates. Nine of the Federal land banks charge 4 percent, two 4½ percent, and one 5 percent. The interest rate will probably have to go up at some of the banks charging 4 percent, he said. Discount and lending rates of some of the Federal intermediate credit banks also will have to be raised, he indicated, "within the next year."

Meanwhile both House and Senate committees on Agriculture opened hearings on the bill to vest control of the Farm Credit Administration in a proposed Farm Credit Board.

This new board would consist of 13 members, 12 of them selected from borrowing production credit associations, national farm loan associations, or borrowing farmer co-operatives, or their intermediary institutions. The 13th member would represent the Secretary of Agriculture.

This board would undertake to frame all the policies of the FCA and would select a governor of the Farm Credit Administration, who would be that agency's executive head. The proposal contemplates accelerated reduction by borrowing associations of the Government capital in FCA institutions.

From the A.B.A. viewpoint, the Senate Committee on Agriculture was told, the Farm Credit Bill, while a sound and constructive step

toward assuring the independence of the FCA and eliminating subsidy from that agency, did not go far enough. The A.B.A. witness was Robert N. Downie, president, Fidelity State Bank, Garden City, Kansas. Mr. Downie is chairman of the A.B.A. Sub-committee on Agricultural Credit.

Mr. Downie suggested amendments which would levy a franchise tax on certain FCA institutions as a first charge against earnings.

## Special Endorsement of U. S. Savings Bonds

TREASURY Department Circular No. 888 has been revised, effective May 1, 1953. A statement issued by the Federal Reserve Bank of New York on April 20 says:

"The circular as revised sets forth regulations governing the special endorsement of Savings Bonds of any series, and provides for the payment of matured Series F and G bonds by eligible paying agents.

"The revision incorporates two major changes. The first is that the eligibility established by a paying agent to process Savings Bonds under the 'old' circular is withdrawn at the close of business April 30, 1953. Paying agents must apply anew under the revised circular for authority to endorse specially and make payment of Savings Bonds without requiring the owner to sign the requests for payment on the backs of the bonds. Under the new authority agents may also forward specially endorsed bonds to the Federal Reserve bank for authorized exchanges or, if they desire, for payment. . . . The endorsement stamps to be used in processing bonds under the revised circular are different from those now in use.

"The second major change is that the revised circular provides for the payment of matured Series F and G Savings Bonds, and agents establishing eligibility under the revised circular will be permitted to specially endorse and pay those bonds, if they are in order for payment, instead of forwarding them to the Federal Reserve bank for payment. The details of this provision are found in section 330.8 (B). No fees will be paid to agents in connection

with their payment of matured F and G bonds.

"Agents desiring to qualify under Department Circular No. 888, Revised, should make application to their Federal Reserve banks on Form PD 2291. . . . The form provides spaces on which to indicate whether the applying agent desires to obtain its own endorsement stamps locally or whether it wants its Federal Reserve bank to furnish them. Agents that qualify will be notified on Form PD 2292."

### Payment of Matured F and G Bonds

C. Edgar Johnson, vice-president, First National Bank, Chicago, chairman of the A.B.A. Committee on Federal Depository Functions and Fiscal Procedures, says that this new procedure will save much time and expense to banks and trust companies holding F and G bonds in trust or safekeeping accounts. It will also provide immediate credit from the Federal Reserve banks.

Mr. Johnson warns, however, that by electing to use the special endorsement in lieu of the owner's signature, banks unconditionally guarantee the United States against loss. He therefore suggests that banks use the special endorsement only in cases where the bond owner is fully known; that banks maintain careful custody of the special endorsement stamp, and restrict its use to authorized staff members.

Also, Mr. Johnson strongly recommends that banks study carefully the new regulations and instructions and exercise the utmost care when utilizing this new procedure.

## MAIN STREET

(CONTINUED FROM PAGE 30)

The Six Points Branch, newest of the offices of the First National Bank of Arizona, Phoenix, received a six-page write-up in the April issue of *Architectural Record*. The bank is planning two more branches.

M. C. HOOK, JR., was elected vice-president of the Seattle-First National Bank, Seattle, Washington. He joins the bank on June 1, coming from Mercantile Trust Company, St. Louis. He was active for some years in the Missouri Bankers Association.

CURTIS W. MCGRAW, president and chairman of McGraw-Hill Publishing Company, has been named to the



M. C. Hook, Jr.



Curtis W. McGraw



Edward A. Wayne



Alfred L. Jones

advisory board of the Times Square office of Chemical Bank & Trust Company, New York.

EDWARD A. WAYNE, a vice-president since 1943 of the Federal Reserve Bank of Richmond, has been elected first vice-president. He succeeds JOHN S. WALDEN, JR., who retired May 1 after more than 34

years' service, 17 as first vice-president. HUGH LEACH, president, has also announced these promotions: AUBREY N. HEFLIN, vice-president and general counsel; UPTON S. MARTIN, vice-president; JOSEPH M. NOWLAN and JOHN L. NOSKER, assistant vice-presidents; Purchasing and Printing Department Manager H. ERNEST FORD and Public Information Director ROBERT G. HOWARD to assistant cashiers.

ALFRED L. JONES, senior bank examiner of the Federal Reserve Bank of Cleveland, has been named first vice-president of The Harter Bank & Trust Company, Canton, Ohio. He has taken A.I.B. courses and is a graduate of the Central States School of Banking.

Section I of the April issue of the *N.A.C.A. Bulletin*, publication of the National Association of Cost Accountants, presents an article by FREDRICK C. WINDISCH, vice-president of the National City Bank of New York. MR. WINDISCH, writing under the title of "What the Commercial Banker Will Ask," presents an informal preview of the contents of typical loan negotiation inquiries of the commercial banker, relating principally to working capital loans and also to fixed asset acquisition loans. He surveys the broad and particular interest of lenders in the current balance sheet, financial statements of past years, and company forecasts.

Three lady bankers have been installed as officers of the newly organized Bay Ridge Business and Professional Women's Club, Brooklyn. GERTRUDE KERFEN, president, and HELEN KELLY, recording secretary, are both of the Lincoln Savings Bank, Brooklyn. KATHERINE AZARA, treasurer, is from the Bay Ridge office of Manufacturers Trust Company, New York.

(CONTINUED ON PAGE 136)

# Canada's FIRST BANK

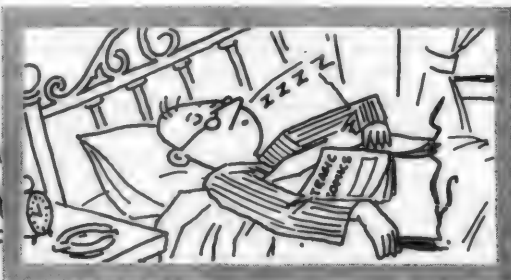
## COAST-TO-COAST



### BANK OF MONTREAL

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**575 Branches Across Canada • Resources Exceed \$2 Billion**



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# **Count on** **Continental Illinois National Bank**

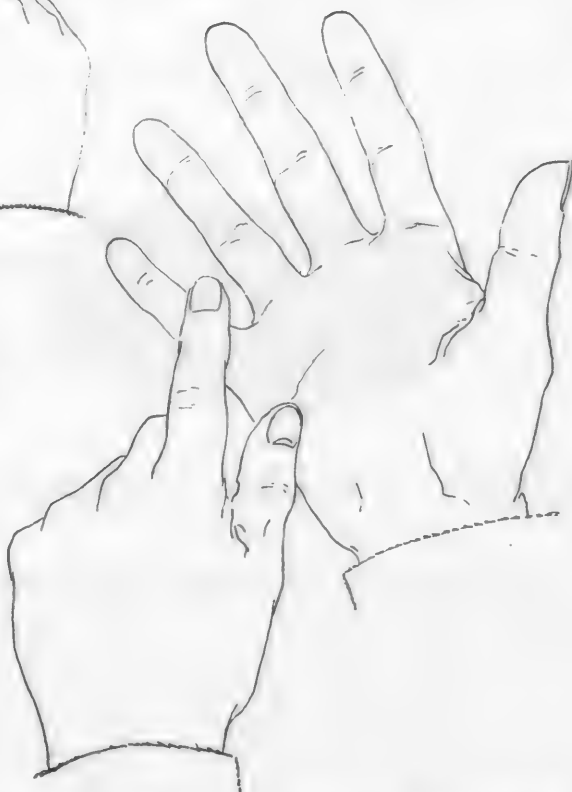


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for a wide range  
of *unusual* services, small or large,  
routine or emergency,  
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—often such services as could  
be rendered only by a bank  
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with long experience  
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## MAIN STREET (Continued)

JOHN A. MAYER has been appointed vice-president in charge of the trust department of Mellon National Bank and Trust Company, Pittsburgh. AIMS C. CONEY, the vice-president formerly in charge of the trust department, has been placed in charge of the foreign department.

The LINCOLN SAVINGS BANK of Brooklyn has begun alterations to its main office to provide additional

work space and completely renovate its banking floor. The job is expected to be finished in late summer.

The Buckeye Road office of Central National Bank of Cleveland has moved into new and larger quarters near its former location. The new office has an auto-teller window and space for customer parking.

The boards of GIRARD TRUST CORN EXCHANGE BANK and the NATIONAL BANK OF GERMANTOWN AND TRUST COMPANY, Philadelphia, have ap-

proved a plan for merger. The action is subject to state, Federal, and stockholder approval.

## Bay Window Drive-In

THE SECOND NATIONAL BANK of Richmond, Indiana, will open an unusual branch on October 1. It will occupy the first floor of a 10-room colonial brick residence, while the second floor is to be maintained as a five-room modern apartment. A bay window will be remodeled to form a drive-in window; wide drives give entrances from two streets; and the property is so large as to provide ample parking space. This will be the bank's fourth office.

Two Houston banks have announced a merger plan: the South Texas National Bank and the Union National Bank, the merged institution to be known as TEXAS NATIONAL BANK.

The chorale of the FIRST NATIONAL BANK of Miami gave a spring concert in the main lobby of the bank on a recent May evening. It also went to Boca Raton to sing at the final banquet of the annual convention of the Bankers Association for Foreign Trade.

RODERICK P. FRASER, vice-president of Manufacturers National Bank, Detroit, celebrated recently his 50th year in banking. Mr. FRASER, who joined Manufacturers National when it was founded in 1933, began his banking career in Scotland. In 1921 he was one of a group who formed the Bankers Association for Foreign Trade, serving as first secretary and later as president and director. He's the only charter member still active in foreign banking.

ARTHUR W. SOMERS has advanced to vice-president of Public National Bank and Trust Company of New York.

R. P. Fraser

A. W. Somers



BANKING

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Only by seeing this new book can you appreciate its legibility, flexibility and waste-reducing features. We invite you to write for an assortment of samples, perforated with amounts, dates and account classifications. No cost. No obligation. Write today.

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George V. McLaughlin

### McLaughlin Retiring

**G**EORGE V. McLAUGHLIN will retire on June 15 as chairman of the executive committee of Manufacturers Trust Company, New York. He will retain his board membership and continue to serve on other committees of the bank and as chairman of its Brooklyn advisory board.

Mr. McLAUGHLIN was president of Brooklyn Trust Company for 20 years prior to its merger with Manufacturers. He was Superintendent of Banks of New York, Police Commissioner of New York City, is a past president of the New York Bankers Association and of the National Association of Supervisors of State Banks. For 20 years he has been vice-chairman of the Triborough Bridge and Tunnel Authority.

New manager of the Yuma-Mesa Branch of the First National Bank of Arizona is **GEORGE LINDSAY**, assistant cashier. He'll be assisted by **W. R. STEVENS**, assistant cashier, who has just returned from his second tour of duty with the Army. The previous manager, **CHARLES PHILLIPS**, has resigned to enter a local business.

Nearly 1,200 people attended the open house of the **STOCKBRIDGE (Michigan) STATE BANK**. The event marked the bank's 45th anniversary as well as the formal opening of its remodeled building.

These advancements are announced by the First National Bank of Zeigler, Illinois: **R. R. FRAZIER**, executive vice-president; **VALLIE**

**FLACK**, vice-president; **BYRON H. FULLER**, cashier. **F. GUY HITT**, board chairman, was also elected president to fill the vacancy caused by the resignation of **RAY M. COOK** who left to become executive vice-president of a new national bank being organized at Ottawa, Illinois. Mr. HITT is a former first vice-president of the Federal Reserve Bank of St. Louis.

Bristol County Trust Company of Taunton, Massachusetts, has been a correspondent bank of The Hanover Bank of New York for 100 years. It is Hanover's oldest bank relationship in New England and the third oldest in the country. To celebrate this first hundred years, **ALICK MCD. McLEAN**, Hanover vice-president, and **STEPHEN G. MOORE**, the bank's New England representative, were hosts at a dinner in Middleboro, Massachusetts, at which a testimonial scroll was presented to Bristol County Trust's officers.

### Howard C. DeMelt

**HOWARD C. DEMELT**, vice-president in charge of public relations at the Marine Midland Trust Company of Central New York, died suddenly on May 3. He had been associated with the bank, through its predecessor The Syracuse Trust Company, since 1913.

Mr. DEMELT had served as president and member of the board of governors of Syracuse Chapter, American Institute of Banking;

chairman of Group 4 of the New York State Bankers Association; had been a director of the Financial Public Relations Association; and was a graduate of the New York State Bankers School of Public Relations.

### Private Fish

**T**HE GEORGIA RAILROAD BANK AND TRUST COMPANY, Augusta, has entered into a cooperative venture with the *Augusta Herald* in leasing Eubank's Pond, a nearby fishing spot, "for the enjoyment of their employees, officers, and directors."

The bank's employee publication, *Georgia-Teller-Scope*, says that "the administration of the pond activities is under the direction of a committee" representing the newspaper and the bank.

**WILLIAM J. SNOW, JR.**, has been named a vice-president of Bankers Trust Company, New York. He's a member of the staff of the banking department's out-of-town division, servicing business in the Southwest district.

**J. T. ROHR**, president of the Toledo (Ohio) Trust Company has been elected a director of Owens-Illinois Glass Company.

**EDMUND W. MADDEN**, vice-president of Manufacturers Trust Company, New York, has been appointed supervising vice-president in charge

When Salisbury, North Carolina, celebrated the 200th anniversary of Rowan County, employees of the local office of Wachovia Bank and Trust Company entered into the spirit. Note beards (except for Vice-president Snider) grown especially for the occasion and the mid-1700 costumes of the lady bankers



of all the company's offices in Brooklyn. He succeeds **WALTER R. MILLER** who resigned to become executive vice-president of Liebmann Breweries.

**FERN E. WILLARD** has resigned as cashier of the State Savings Bank, Lebanon, Missouri, after 35 years in banking. He is succeeded by **J. C. BENAGE**. **MR. WILLARD** has been a state bank examiner, an examiner for the Federal Reserve Bank, and had been an officer in various banks. He was active in the Missouri Bankers Association, was a county contact banker, and a former A.I.B. student.

**M. K. LEWIS, JR.**, has been named manager of the Willoughby office of The Cleveland Trust Company, succeeding **J. E. DISBRO**, retired. **L. J. REIDEL** replaces **MR. LEWIS** as assistant manager of the Mayfield-Green office. **MR. LEWIS** has been active in the American Institute of Banking and is chairman of the public speaking committee for the A.I.B.'s national convention in Cleveland, June 8-12.

Construction has begun on a new building for the Agana (Guam) branch of **BANK OF AMERICA**. It will

**T. G. Smith**, manager, Steinbach, Manitoba, branch, Royal Bank of Canada, admires martin house built near the bank from plans contained in the Royal Bank's pamphlet "Bird Houses are Fun to Build"



**Mildred F. May, right**, assistant cashier of Valley National Bank, Phoenix, Arizona, receives "Lulu" from screen actress **Loretta Young** for second-prize award in the public relations division of the Frances Holmes Awards competition sponsored by Los Angeles Advertising Women, Inc. Mrs. May's entry was based on the bank's six finance forums held last year under her supervision, and was the only winning entry from a financial institution

accommodate 16 teller windows and space for eight officers' desks, and will cost \$200,000. The branch was acquired by purchase of the Bank of Guam from the U. S. Navy in June 1950. The Agana branch operates a military facility at Anderson Air Force Base on Guam, and one on the island of Saipan.

**J. WATSON MACDOWELL**, a vice-president of Bowery Savings Bank, New York City, on June 15 becomes president of the Port Chester (New York) Savings Bank.

**CLAYTON A. LOFTIS**, president of the First National Bank of Longview, Texas, was honored by the local Rotary Club in a tribute filling the front page of the club's weekly publication, *The Rotaview*. Under the title "City Builder," many of his banking and civic achievements were reviewed. **MR. LOFTIS** has been president of the bank for 23 years.

The 17th annual banquet of the Quarter Century Club of The National City Bank of New York and City Bank Farmers Trust Company attracted 1,350 members. Its worldwide membership is 2,194.

**FELIX TAYLOR**, vault custodian of the Guaranty Bank and Trust Company, Alexandria, Louisiana, was subject of an illustrated feature in the *Alexandria Daily Town Talk*.

He has been with the bank since 1917.

**HARRY E. UMPHREY** of Washburn, Maine, owner and president of Aroostook Potato Growers, Inc., was elected a Class B director of the Federal Reserve Bank of Boston.

**McDonald State Bank** of North Platte, Nebraska, has published an illustrated brochure in celebration of its 75th anniversary. Board Chairman **W. H. McDONALD**, son of the founder, has been associated with the bank since 1878. He is pictured in the lobby of the bank on his 90th birthday.

A special edition of the bank's weekly newsletter *Information Please* was dedicated to **James A. Sweeney**, vice-president and secretary of County Bank and Trust Company, Paterson, New Jersey, on his 50th anniversary with the bank.

**SOUTHERN ARIZONA BANK AND TRUST COMPANY**, Tucson, has celebrated its 50th anniversary.

**WILLIAM E. MARPLE**, formerly chief of the Credit Division, Credit Department, of Federal Reserve Bank of New York, has been appointed a manager and assigned to the Credit and Discount departments. He succeeds **WALTER C. WARNER**, who resigned to become an officer of Bankers Trust Company, New York.

**Lyman E. Wakefield**, vice-president, First National Bank of Minneapolis, and president, Downtown Auto Park, receives from Chamber of Commerce President **Moore** a trophy for his efforts in promoting the two multi-level parking decks in the city





# New Books

**PLANT LOCATION.** By *Leonard C. Yaseen*. Business Reports, Inc., New York. 195 pp. \$12.50. The author has been plant location consultant to more than 1,200 companies. He presents here the factors influencing scientific location of new plants in a period which is witnessing an important decentralization of industry. There is practical discussion, based on 20 years' experience, of planning for plant location; transportation; competitive advantages in raw materials, sources and markets; labor availability, costs and stability; power, fuel and water; taxes; climate's effect on industry; analysis of communities; and selection of site. The last section offers hints to community industrial development groups on the preparation and presentation of programs. The text is supplemented by many charts and maps. Mr. Yaseen is senior partner of the Fantus Factory Locating Service.

**THE FEDERAL DEBT: STRUCTURE AND IMPACT.** By *Charles Cortez Abbott*. Twentieth Century Fund, New York. 268 pp. \$4. This study includes the report and recommendations of the Fund's Committee on the Federal Debt. Dr. Abbott, Converse Professor of banking and finance at the Harvard University Graduate School of Business Administration, examines the question whether the Federal debt is a threat of disaster or can be managed to promote our economic welfare. He finds that the immediate danger from the debt is its power, if improperly managed, to lower the dollar's value, enhance "boom and bust" tendencies, and undermine the free market process. The Treasury's policy during the early postwar years was inflationary under the conditions then existing, the author believes; and because of the debt's growth, the position of the Treasury, and other factors, the Executive branch of the Government is now much more important than previously in the country's monetary structure. Dr. Abbott analyzes Federal debt management in the postwar years, and hails as a forward step the March 1951

moves by the Treasury and the Reserve System. The study also discusses the composition and ownership of the debt as a major factor in management.

**CHARLES G. DAWES: PORTRAIT OF AN AMERICAN.** By *Bascom N. Timmons*. Henry Holt, New York. 337 pp. \$5. A biography, by a close friend, of the man who was Vice-president of the United States, Nobel Peace Prize winner, banker, Comptroller of the Currency, Army general, first Director of the Budget, Ambassador to Great Britain, and author of the post World War I plan for rehabilitating Germany.

**HOW TO BUY STOCKS.** By *Louis Engel*. Little, Brown, Boston. 245 pp. \$2.95. "A guide to successful investing."

**ECONOMICS FOR YOU AND ME.** By *Arthur Upgren and Stahl Edmunds*. Macmillan, New York. 246 pp. \$4. A non-theoretical, easy-to-read book aimed at helping "make your living easier and surer."

**ECONOMICS IN THE PUBLIC SERVICE.** By *Edwin G. Nourse*. Harcourt, Brace, New York. 503 pp. \$6. "The intimate story of the first six years of the Employment Act."



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It is also Miners — and Farmers — Businessmen — and Tourists. All together they are this bank. And we welcome your friends!

**FIRST NATIONAL BANK OF ARIZONA**

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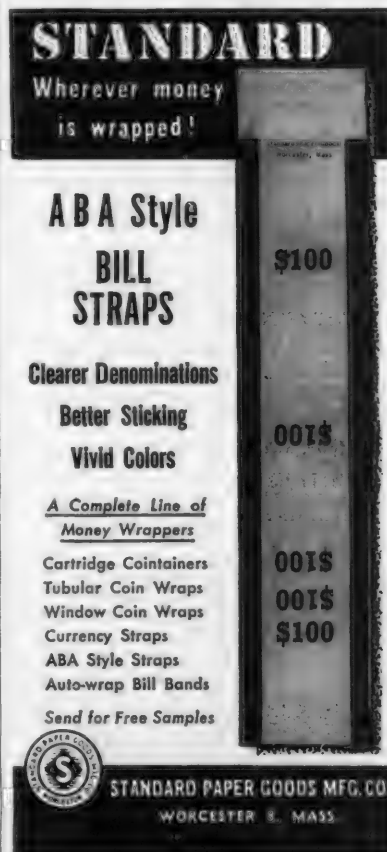


**FIRTH CARPET COMPANY, NEW YORK, N.Y.**

**DIVIDEND NOTICE**

The Board of Directors has declared a dividend of 15 cents (\$.15) per share on the common stock, payable June 15, 1953 to stockholders of record May 29, 1953. The transfer books will not close.

**W. W. HARTS, JR.**  
Treasurer



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Wherever money is wrapped!

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Clearer Denominations  
Better Sticking  
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**Ask US to Send YOU**  
A Complimentary Copy  
of  
**BANKING'S NEWSLETTER**

*When you  
think of  
money at work*



Consumer financing plays a vital part in helping to maintain the high production level of the automotive industry. Today, approximately 70% of the automobiles sold are financed on installment payments. Here again, money at work strengthens our economy.

In the Pittsburgh market, Peoples First National has played an important part in consumer credit. Last year, for example, 56,465 people bought automobiles and other consumer purchases through Peoples Time Plan.

Peoples First National has acquired extensive experience in serving the automotive industry. This knowledge and our widespread contacts in the industry are frequently of value to Correspondents. If you're considering a Pittsburgh Correspondent, we will welcome the opportunity of presenting the facts about our comprehensive services.

## PEOPLES FIRST NATIONAL

BANK & TRUST COMPANY

Correspondent Bank Department

P. O. Box 506, Pittsburgh 30, Pa.

Member Bank Wire

## News for Country Bankers

(CONTINUED FROM PAGE 77)

ship has now spread all over the country until approximately 85 percent of all broilers are grown under this plan. . . .

"Now that the bulk of financing the industry is done by the feed and hatchery men they require a lot of capital. Some have ample capital while others borrow from local banks on balance sheet and collateral. Some CPA money is being furnished and several large city banks are lending at 4½ percent on balance sheet. Also it is reported that some of the large feed mills have extended considerable credit. . . ."

## Operations Short-Cuts

MILDRED N. WHITBY, assistant cashier of the National Bank of Olyphant, Pennsylvania, answered some questions on how her bank turns operating short-cuts into asset values in an address given at the regional conference of the Association of Bank Women in Old Point Comfort, Virginia.

Her bank recently bought a machine that it uses for recording, in one operation, (1) mortgage payments (principle, interest, and real estate taxes) to customer's book and the bank's ledger; (2) personal loan payments in customer's book and bank's ledger; and (3) saving deposits and withdrawals on customer's book and bank's entry slip. It is also used as a spare for Christmas Club deposits; posting interest at six-month intervals; posting real estate tax disbursements; and posting liability ledger.

"We made a thorough study of our operations and we found that many of them could be eliminated," she said. "Many duplications were permitted because certain systems had been in effect since the institution's organization. Here is an example cited by Miss Whitby of the elimination of a needless duplication:

## Tips for Directors

WILLIAM R. BOWDOIN, vice-president, Trust Company of Georgia, Atlanta, offers these tips to directors:

"Is the bank-customer relationship in the community good or does it need that little extra touch of goodwill that you as a director can give it? A would-be borrower may come to you in discontent over his failure to secure the desired loan. Cooperate with management in explaining why his request could not be granted, or on what basis you (could) accommodate him. Do not be openly critical of management. If you feel criticism is due, discuss it directly with management. *Do not commit the bank on any loan or activity!*"

"For years we had been figuring our savings interest the hard way. One employee made a run of the savings balances, another figured the interest, and another checked this interest. The old balance, the interest figure, and the new balance were run to see if the ledger was in balance. This was a lot of work. We knew it, but did not look for a better way. However, after the 40-hour week came into effect, and when overtime was to be paid at the rate of time and a half for all over 40 hours a week, we looked for short cuts:

"We found we could eliminate much of this work. Now one person can run the savings balances, and by the use of a simple method worked out on a simple adding machine, the interest is figured at the same time. Because it is done by machine it is accurate and no recheck is necessary. The savings clerk posts the interest to the ledger card on the new machine mentioned previously, the interest figure total is shown and the new balance at the same time, and at the end of the posting we know that the ledger is in balance. This has cut down the work of figuring interest to a minimum and has cut out overtime completely."

# BUSINESS AIDS

Each month this column will list recent acquisitions, including manufacturers' literature and other special announcements of interest to our readers—though no statement made should be regarded as a product endorsement.

Copies of literature may be obtained by addressing requests to the company named, or to the BUSINESS AIDS EDITOR, BANKING.

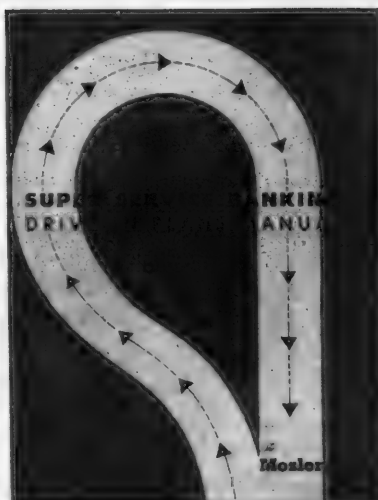
## Air Conditioning

A quick and simple investment analysis technique has been developed by General Electric which will determine in dollars and cents how much the installation of air conditioning can help boost business and employee efficiency. The analysis shows how long it will take for an installation to pay for itself. Write for a copy: Air Conditioning Division, General Electric Company, Bloomfield, New Jersey.

## Key to Livestock

### Profits

DR. G. BOHSTEDT, chairman, Department of Animal Husbandry, University of Wisconsin, has authored a new booklet titled *Good Forage—the Key to Livestock Profits*. It was written for and is available through The Massey-Harris Company, Racine, Wisconsin.



## Drive-In Manual

SUPER SERVICE BANKING DRIVE-IN PLANS MANUAL is a 12-page booklet illustrating single and multiple installations of bay-type and flush-type electrically operated windows. Layouts and dimensions indicating radius of turns, spacing, and traffic flow markings are calculated to guarantee easy operation. The booklet is available without charge from Mosler's office, 320 Fifth Avenue, New York 1.

## Soil Profit Prospects

THE Ohio Bankers Association Agricultural Committee, in cooperation with the National Fertilizer Association and the Ohio State University agronomy department, has prepared a graphic, 3-color booklet which "spells" out the story of greater farm profits through greater fertilizer usage in the clearest possible terms. The title: *Ohio Soil Fertility*. Write the OBA, 33 N. High Street, Columbus 15, Ohio.

## Funding Program

AUBREY G. LANSTON & CO. INC., 231 So. LaSalle Street, Chicago 4, Illinois, has released an analytical study comparing the Government debt funding program of the 1920's with the new funding program. Part

I gives the background from which the earlier program emerged and was continued. Part II discusses the new program, the debt structure and related matters. Write the company for a copy.

## Instalment Loan System

A NEW system of record keeping is described in an illustrated manual by VISIrecord, Inc., Copiague, L. I., New York. The manual gives a step-by-step procedure, illustrating the various forms and equipment, which is designed for speed and accuracy. The system was designed in consultation with manufacturers of modern bookkeeping machines. For a copy of the manual, write the company's information department.

## Facts for Business and Industry

YAKIMA VALLEY is the title of a new brochure issued by the Chamber of Commerce, Yakima, Washington, which presents complete information on the area in tabular, graphic, and pictorial form. It talks living conditions, sites, transportation, and the whole gamut of economic factors. For a copy write the Chamber.



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"21.2%  
increase in  
deposits during  
15 months of  
modernization!"

*Wm. Patterson*

President, St. Joseph Bank and Trust Company

Here is our record: The first of the demolition work was begun July 27, 1951. Our deposit record as of that date and as of November 12, 1952 is as follows:

Kind of Deposits	Nov. 12, 1952	July 27, 1951	Increase	Per Cent Increase
Checking	13,076,200	10,164,200	2,912,000	28.6
Savings	12,038,500	10,730,300	1,308,200	12.2
	25,114,700	20,894,500	4,220,200	20.2
Public Funds	3,920,400	3,059,900	860,500	28.4
Totals	29,053,100	23,954,400	5,080,700	21.2

I should also add that the increase of \$4,220,200 in our so-called "bread and butter" deposits (Checking and Savings) is equal to 83.1% of the \$5,080,700 increase in total deposits.

All this mind you, during the period of demolition and reconstruction.

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Bank Building Corporation, with over 40 years experience in the specialized problems of bank designing, has developed construction techniques to assure uninterrupted customer service during modernization. Write or phone us today to learn how you can modernize outmoded quarters without fear of lost revenues.



Photos show interior of St. Joseph Bank and Trust Company, South Bend, Indiana before and after modernization.

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*Bank Building Corporation*

# The OUTLOOK and Condition of Business

(CONTINUED FROM PAGE 33)

plications here at home. Declining imports will necessarily mean falling exports, resulting in a serious loss of markets for our agriculture and other industries. Expanded imports may require some adjustments in our country; we must make sure that changes in foreign economic policy consonant with our position as the world's greatest creditor nation do not benefit particular groups at the expense of the national welfare, but we must also make sure that such changes do not place unequal burdens on particular groups."

## Trade-not-aid

Starting with the simple formula of trade-not-aid which everyone endorsed, we find that trade means trade which means lowering the tariff which means trouble and argument.

European recipients of aid have always preferred trade and the Administration is now on that side. Europe was not so much disturbed by the President's cuts of aid as it was by the prospect that the President's plan for substituting trade would not materialize.

Many who would be hurt by lower tariffs feel we would be better off continuing our hand-out policy. In other words, they do not want to serve as economic sacrifices to the general good of the world. So while all agree on the basic principle of trade-not-aid, it will be hard to pin it down to products and cases.

## Inflation versus Deflation

All the major sources of inflationary pressure, including deficit spending and debt expansion, are still with us and the Treasury evidently feels that inflation is still the target.

Among the other things learned from the way the Treasury handled its new  $3\frac{1}{4}$  percent, 30-year bond, are the following:

The Treasury from now on has the settled policy of doing its financing at the going market rate. It will not try to dictate any rates for borrowing, and in this policy it will have the support of the Federal Reserve Board.

The Treasury does not feel that the higher rate is too deflationary in its effect on the nation's business. The belief is that we are at the top of our greatest boom, with practically no unemployment and a record volume of new securities being offered to the public.

The Treasury feels that while it is true that higher rates mean a higher cost of debt service, this amount is small compared to the benefits to the whole economy through greater stability.

It is the Treasury's policy to get rid of speculation and free riding in Government issues, and great care was taken to weed out subscriptions in that category.

The Treasury is not tied to any  $3\frac{1}{4}$  percent interest rate on new issues. The rate might be higher or lower on the next offering, whichever the market indicates. Higher interest rates have been established in all segments of the market since the Treasury issued its  $3\frac{1}{4}$

percent. Commercial banks raised their prime lending rate from 3 to  $3\frac{1}{4}$  percent, and commercial paper likewise stiffened, reflecting continued, deliberate tightness of money. This, in turn, affected the bond markets where even the new Treasury issue dipped below par on some days, thus providing little incentive for holders of Series F and G Savings Bonds to exchange their obligations.

One of the contributing factors to unsettlement in the bond market is the hands-off policy of the Fed, which has no intention of interfering in the Government securities market unless it should become "disorderly."

There may be some who consider present markets not particularly orderly, but the official interpretation of "disorderly" goes much beyond that, covering merely conditions of quasi-panic selling that might occur at a moment of emergency. Thus a new market concept seems to be emerging.

## Budget and Foreign Aid

A reduction of \$8,500,000,000 for fiscal 1954 would still leave the budget out of balance. Most of the cut would be out of the defense and foreign aid allocations, the Mutual Security program getting \$5-billion instead of \$7,600,000,000 asked for by President Truman. The cutback in the defense budget would be about \$5-billion, getting it down to around \$40-billion.

The President has said that in spite of these cuts the whole defense and foreign aid programs are being speeded up so that deliveries during the next 12 months would be substantially higher.

Back of all the words spoken and written about domestic and foreign economic policy in recent months is the fact of a basic shift of emphasis from Europe to Asia and from military preparedness to a balance between defense needs and economic capacities. The governing policy is that it will not profit the free world to build up its defenses and wreck its economic underpinning.

The inflationary cycle of the last two decades has been halted and a sounder dollar is emerging. Obviously, not everybody is happy about that. While higher interest rates foreshadow better bank earnings from loans, lower bond prices are resulting in portfolio losses. Fixed income groups will benefit most.

The greatest losses in this process of adjustment have come so far in the agricultural areas. Some sensitive commodity prices are as much as 35 percent below the peak reached in the period after the shooting started in Korea. All commodity prices together are down about 4 percent, and living costs have been shaded. Prices paid to farmers have declined 16 percent, the value of farm land is down 2 percent. Farm exports have fallen 30 percent.

Earnings reports of 600 corporations for the first quarter ran about 10 percent ahead of the 1952 period. Over-all industrial production in April maintained the March high record and was about 10 percent above a year ago. However, unless final figures are revised, April will have been the first month since last September that industrial production has not increased.

WILLIAM R. KUHN

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